

**Researching Corporate Entrepreneurship:
Findings of the Corporate Entrepreneurship track at
Chalmers School of Entrepreneurship 2018**

by

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Preface

A central challenge of mature organizations is the ability to continue to develop the established business model/organizational model while allowing entrepreneurial initiatives to grow. In a world of rapid change, this challenge becomes even severe. A central problem is that entrepreneurial, or innovative, initiatives most often are killed in the established structure. They do not get the financial resources needed, not the best project managers, and not enough management time, for example.

Organizations need to do a better job here. But how? Most answers sound simple, but are difficult to implement. As a collaborative effort between organizations, students, and faculty, we started the corporate entrepreneurship track in 2014 to increase the entrepreneurial capability of organizations, educate students to become entrepreneurial change agents, and create a basis for collective learning. Rather than doing classroom education, the corporate entrepreneurship track is based on the experiences from real initiatives. The findings in this report have been collected through initiatives driven in four different organizations.

Four areas of interest were investigated from a corporate entrepreneurship perspective:

- *Strategy*
- *Organizational Change*
- *Communication and Substantiation of Value*
- *Finance*

This working paper describes each of the four areas with a research question, a corresponding theoretical framework of references and a proposed method. The authors have then collected the findings in the four areas and cross analysed them through the four different projects. The insider action research method applied in the initiatives has gained in depth findings that are hard for any outside research to achieve. This is the first year that we publish such cross-organization findings. We see this report as an important step forward in the collective learning journey.

Johanna Pregmark

Tobias Fredberg

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1 Strategy

Aleksandar Faraj and Erik Åhman

1.1 Introduction

Today's industry is a fast-changing environment which is driven by technology and innovation. Galbraith (1999) explains that the organizations that have the best chances to survive in this competitive environment are the ones that are able to rapidly adapt and change their strategy.

Porter (1996) suggests that a way for an organization to gain a competitive advantage is by focusing on how the organization make all their activities fit together. He further explains that having a strong fit between the activities in the organization locks out imitators. There is not one single activity that leads to success, but rather how every activity in the company is linked together.

1.1.1 Purpose

The purpose of the research is to create a better understanding of how to successfully manage the organization's strategy and structure when implementing a disruptive innovation. This has been researched by investigating what structural challenges that will arise when implementing the radical innovation and what existing strategies that needs to be changed to overcome these challenges. From this purpose a research question has been formulated.

1.1.2 Research question

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

1.1.3 Scope

The purpose is researched by using the *Star model* and *Activity mapping* as basis for the data collection. The *Star model* and *Activity mapping* are further explained in the following theory section.

1.2 Theory

The theoretical framework explains the theory behind the Star model and activity mapping.

1.2.1 Star model

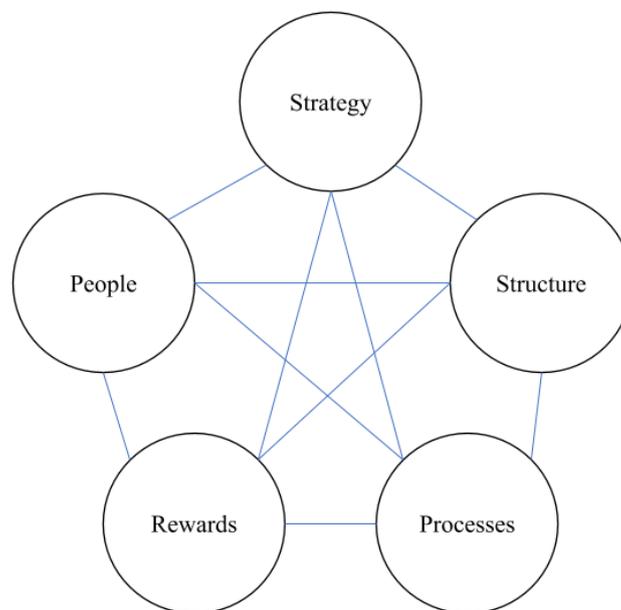
Every organization needs to be able to change and adapt as quickly as their business changes. Galbraith (1999) argues that one possible way to do this is by designing the organization to be changeable in the first place. He further explains that one of the reasons that organizations need to be able to change is that relying on one competitive advantage will not be sustainable.

The traditional thinking of structuring an organization was to create a business formula and then make all aspects in the organization aligned to deliver this formula. This type of thinking led to the Star model which is explained by Galbraith (1995). D'Aveni (1994) suggests however that this model is flawed for today's organizations, because the advantage with their specific

formula does not last very long. Galbraith (1999) agrees that aligning an organization around a specific formula or strategy can make it difficult to redesign the organization. But he further argues that the problem is not the aligned organization but rather the focusing on a specific formula and strategy that prevents a sustainable competitive advantage. Galbraith (1999) further explains the need of a Star model that can easily be realigned.

To have an organization like this that successfully uses short-term advantages as a strategy and that is able to realign, the organization must be structured to support this. According to Galbraith (1999), this can be done by creating an organization made up of different cross-functional teams. Galbraith (1999) further explains that there are five different elements in the Star model - structure, processes, people, rewards and strategy. These aspects can support the capability to reconfigure an organization and are the foundation for the Star model that is easily re-alignable. These elements are related to and affect each other and the overall strategy of the organization. The Star model can therefore be used as a map of the different areas in the organization which have an impact on the strategy. A figure of the reconfigurable Star model can be seen below.

Figure 1. The star model with the different capabilities that affect the ability to reconfigure the organization.



1.2.2 Activity mapping

Porter (1996) explains that the level of fit between the different activities in an organization drives both competitive advantage and sustainability. He further explains that something like operational effectiveness is about striving for achieving better performance in individual activities, while strategy is about how these activities are combined. The competitive advantage come of the way the activities fit and how they reinforce one another. The fit between activities locks out competitors by creating a strong chain. Porter (1996) explains an example where the cost of activities could be lowered just by how the other activities that are linked to it perform. In the same way, a single activity's value to customers can be increased by other activities. Porter (1996) suggests that this will lead to superior profitability.

Porter (1996) argues that there are three types of fit between activities in an organization. The first type is simple consistency between each activity by aligning all activities to the organization's philosophy. This makes sure that the advantages cumulate and makes the strategy easier to communicate. The second type is when activities reinforce each other. The

third type is optimization of effort which means that everything should be optimized to reduce the amount of non-value adding processes.

To examine and strengthen the strategic fit in an organization, Porter (1996) mentions that an activity-system map can be used. A set of basic questions should support the mapping, such as if each activity is consistent with the overall positioning, if the needs are served and what type of customers that are accessed. It should also be asked if other activities improve or decrease their performance, if there are ways to strengthen the activities by reinforcement by one another and if changes in one activity can eliminate the need in others.

1.3 Methodology

The type of research method that is used in the study is based on insider action research. This is performed by letting the researcher participate in the research to get an inside understanding. At the same time the researcher should try to look at it objectively by analyzing the situation from a theoretical framework. According to Coghlan (2007), this research method is an effective way to understand how an organization works and how to successfully change it.

The insider research methodology is aligned with the aim of the project because it tries to increase understanding inside an organization which helps to answer the research question. To support the data collection process of this methodology, the Star model explained by Galbraith (1999) and the Activity mapping explained by Porter (1996) has been used.

1.3.1 Star model

To determine the focus areas of the data collection, the Star model has been used as a starting point. The data collection aims to determine what aspects of the Star model that are currently the biggest challenge for the organization, the reasons for why they are challenging and how each area needs to change in order to make the innovation fit in the organization.

The data collection consists of interviews with the company management and observations from the insider research during the project. The interviews and observations focus on gathering information about the following different aspects in the star model.

- *Strategy*: What are the core capabilities of the organization, in what direction is the organization heading and how does the innovation fit with the strategy?
- *Structure*: Where in the organization does decision making occur and how would the innovation change this?
- *Processes*: How are decisions made, how are they communicated in the organization and how will this change with the innovation?
- *Rewards*: What incentives drives the employees and organization forward, and what reward system could be used for the innovation?
- *People*: What type of competences and mind-set does the organization value the most among the employees, and what would be needed for the innovation?

1.3.2 Activity mapping

Activity mapping has been used to understand how the organization changes when implementing the innovation. The guidelines for performing the activity mapping that have been used are the following:

1. Identify activities
2. Determine the core activities of the organization
3. Position the activities on the map and identify clusters
4. Link together the activities that fit together
5. Validate the map with data collection

The mapping of the activities has been made continuously during the course of the project to be able to compare the changes that has occurred. The data collection has been done by interviews with people in the management of the organization and with insider research observations. The purpose of the activity mapping is to identify how the new activities with the innovation are positioned inside the organization, and to determine the level of fit.

1.4 Findings

The methodology described in *Method* was used in a workshop for four corporate entrepreneurial cases. The first case was an innovation management project conducted at a Swedish steel company, which is referred to as *Case A*. The second case was a new service-based innovation for a large Swedish transportation company, which is referred to as *Case B*. The third case was a technology-based innovation at a Swedish photography light-shaping company, which is referred to as *Case C*. The fourth case was a technology-based innovation at a Swedish hospital infection control company, which is referred to as *Case D*.

The workshop discussions were designed by using the star model and activity mapping as a basis. Each area of the star model was discussed, where all the corporate entrepreneurs had to highlight challenges they encountered in their projects and what they would recommend to future corporate entrepreneurs. The project leaders also conducted an activity mapping exercise where the project leaders mapped their organizations on a whiteboard to discuss the potential challenges and opportunities that were identified in the different organizations.

The findings of the workshop are presented in the following two sections, *Star model* and *Activity mapping*.

1.4.1 Star model

The star model includes five different areas: *Strategy, Processes, Structure, Rewards & People*. The questions used in the workshop were designed to discuss strategic challenges and recommendations when implementing the innovation inside the organization from the perspective of each of these areas.

Strategy

In *Case A* one of the main strategic challenges was that the project did not fit into the main organization. The company needed additional capabilities in order to be able to conduct the project, which the project leaders aimed to create. The leaders of *Case B* identified that the company had difficulties communicating their strategy, but that their intentions were to integrate measuring and communication of processes as new capabilities. The project leaders of *Case B* tried to create these capabilities into the organization. In *Case C*, the project was aligned with the company philosophy and strategy, but the company lacked the needed capabilities which the students tried to bring inside the organization. The project leaders of *Case D* also noted that the company had difficulties integrating the new capabilities needed into the organization.

Based on the findings across the four cases, one of the main identified common challenges with strategy in innovation projects is to integrate new capabilities into the organization. It is challenging to convince the organization to accept new capabilities as an important part of their organizational strategy and difficult to communicate their importance for the innovation project. The discussion by the project leaders highlight the importance of corporate entrepreneurs and their ability to both bring in new capabilities but also their ability to communicate and convince an organization to integrate these capabilities as a core part of the strategy.

The project leaders discuss what they would recommend for overcoming the strategic challenge of bringing in new capabilities. The recommendation is to create a clear vision and clearly communicate why it is important for both the innovation of the project but also for other potential future business opportunities. The project leaders also suggest that a metric could be beneficial in order to determine how the capabilities today need to change in order to be aligned with the strategic future of capabilities.

Structure

In *Case A* the structure of the organization affected the project by being too hierarchal and it was difficult to identify persons that had the power to change the company. The company was also too isolated between the different departments which was challenging for the project. The department in *Case B* used a structure where everyone could work freely, but the leaders argued that more structure could have helped the project. *Case C* was limited by hierarchal structure since ideas and decision making always had to come from top to down in the organization. The leaders of *Case D* tried to go outside the organizational structure in the initial entrepreneurial phase of their project but realized that it will be challenging to transition the project back into the organization.

Some cases encountered issues with hierarchal structures and some had more open structures. It was however noted in one case that a completely open structure also had its challenges, which could imply that a semi-open structure would be the most suitable for innovation projects. The project leaders argued that it is hard to overcome the structural challenges inside an organization. They argued that the main solution for a corporate entrepreneur is to explain the importance of their project to the company in order to overcome the structural challenges. All the leaders also agreed that understanding the structure and finding ways around it was one of the most important aspects.

Processes

The leaders of *Case A* noted that the organization did not have processes to communicate change inside the organization. In *Case B* it was also highlighted that processes were lacking for innovation projects and that measurements for the project would be helpful. *Case C* had to encounter toll-gate processes depending on factors such as finance, time and money which could be restrictive since they were more catered to incremental innovation. The leaders of *Case D* also felt that processes for radical innovation were lacking in the company which made it difficult to prove potential profitability.

The four different cases encountered different types of processes inside the organization. In two of the cases there already existed strict innovation processes, but they were designed for incremental innovation so some of the guidelines were that the next product released should be smaller than the previous one or that it should have a higher performance than the previous one. These guidelines hindered the radical innovation by being too strict and focused on improving

existing products. In two of the other cases there did not exist any innovation processes at all, which also hindered the project leaders to make any progress in their project and it also made it more difficult to communicate their projects.

Based on the joint findings, most entrepreneurial projects would benefit from processes if they are compatible with radical innovation. However, the processes should not be too strict since that could make innovation projects more challenging. The project leaders outline that organizations could use flexible processes that can be aligned depending on size, level of uncertainty in the project and if the innovation is radical or incremental.

Rewards

The leaders of the four cases found it difficult to come to a final conclusion regarding a general suitable reward system for innovation. The leaders discussed the difficulties by using monetary reward systems when implementing radical innovation. The reason for this is that radical innovation often comes with big risks and the potential financial value is difficult to estimate in an early stage. In some of the cases it was discussed that knowledge is something that worked as an incentive for their innovation projects. The projects ability to increase knowledge either inside an organization or outside among customers is a potential metric that could suit some corporate entrepreneurial initiatives.

Something that all the project leaders agreed upon was that freedom and a certain level of trust was one of the most motivational factors in their innovation projects. The ability to have time to create something where you could make your own decisions led to a positive feeling of self-fulfillment. The project leaders recommend a combination of freedom and trust together with a metric that is suitable for the specific project which for example could be knowledge.

People

From a people point of view the project leaders discussed that some companies would rather outsource new capabilities than hiring new people. The problems with this according to the project leaders, is that alignment with the core organizational strategy would be even more difficult. Bringing in consultants would not create a sustained environment for innovation which in turn could lead to that the organization only sees innovation as projects on a needs-basis and not as a mind-set in order to further stay competitive in the industry. The project leaders argued the importance of convincing the organization to understand why people with needed core capabilities would be important not only for the current project but also for future innovation projects inside the organization.

1.4.2 Activity mapping

Activity mapping was conducted in all four cases and then joint discussions were made about the benefits and difficulties that occurred. All the corporate entrepreneurs noted that it was challenging to create fit between existing parts of the organization to the new parts needed for the innovation. One case was conducted in a very large organization and this made it complex for the project leaders to both map out and understand the existing parts but also to make the new parts fit. In another case it was noted that while some of the new activities and the existing activities were reinforcing each other, the fit between them were not very strong. The project leaders recommended that the parts of the existing organization that are connected to the new activities should be starting points for a corporate entrepreneur to communicate their innovation. The reason for this is that these parts of the organization could see a great impact of the innovation and by also including them into the innovation project could lead to

opportunities to be able to create an even stronger strategic fit between new and existing activities.

Another thing that the project leaders noted was that the activity mapping helped them to see what areas to prioritize in their project. The mapping helped the project leaders to break down the needed activities for the innovation which also helped them to communicate why you need to conduct a certain task. The reason for this was that the corporate entrepreneurs could both better explain what different activities that the innovation would consist of but also communicate how it will fit inside the existing organization.

1.5 Discussion

The findings of Galbraith (1999) imply that it is important for the strategy, structure, processes, rewards and people to be re-alignable inside an organization. The discussions of the project leaders implied that it is challenging for the organizations in the four cases to change their strategy due to the organization being designed for operational effectiveness and not for radical innovations. Galbraith (1999) argues that a solution for managing both the operational and innovative aspects is to create organizations with one stable part and one changing part with cross-functional teams that can create short-term competitive advantages. The organizations that the corporate entrepreneurs encountered were not designed in this way, which could explain some of the challenges that arose during the projects.

It is difficult to integrate new competencies as part of an organization's core capabilities. This posed different kinds of problems for the entrepreneurs, both in terms of making the organization commit to a new strategic direction but also for implementation of the innovation. The corporate entrepreneurs noticed during their projects that there needs to be someone who is responsible for trying to create or bringing in new capabilities into the organization. In this case the corporate entrepreneurs themselves played this role, which could imply that it is important for corporate entrepreneurs to communicate the value of new capabilities and try to make them part of the organization.

In the different projects discussed, the structures of the organizations differed from each other, some were more hierarchal, and some were more open. Challenges that arose from the structural perspective for the corporate entrepreneurs were mainly related to challenges of finding the right people to talk to that have the power to get the project moving forward. The most important factor in order to overcome these challenges seems to be for a corporate entrepreneur to create a good understanding of the structure. By doing this, a corporate entrepreneur can start to find ways around the structure and overcome the challenges that comes with it.

In terms of innovation there are usually two distinctions, radical innovation and incremental innovation which are described by Rainey (2005). Incremental innovation is described as something that focuses on improving existing processes or products and does not change the system behind it. Radical innovation is described as something that focuses on new products or services that are outside the company's daily business and that will require a change in the system used in the organization. In regard to innovation processes for radical or incremental innovation the results from the cases are mixed. Some lacked a process, others had strict processes and processes for only incremental innovations were also present. The entrepreneurs agree that processes are good if they are not too strict. An example of a flexible process can be that KPIs can be set by the entrepreneurs themselves or that learning is a key focus rather than

profitability. The processes must also be compatible with radical innovation and not be the same as the processes for incremental innovation.

When it comes to people, the cases show that companies hire external people to drive innovation. This can be seen to be driven by a general lack of people and that it's driven by necessity. It can also indicate that companies do not value innovation. The entrepreneurs stand firm that it is important to have committed people and resources, that hiring should be inside the company to build competencies and capabilities over time. The entrepreneurs further agree that a sustained innovation environment is key. An example of this can be that innovations might not always lead to products and services but might add new capabilities, such as being able to deploy to cloud, scalable IT-services, new sales organizations and so on.

From the model used, the entrepreneurs investigated how reward systems could look like for innovation and corporate entrepreneurs. It is from the findings concluded that it is difficult to define suitable reward systems in any of the cases. Monetary reward systems seem unsuitable for radical innovation, but some other things such as ability to increase knowledge could be more suitable. However, there are also emotional drivers that can act as incentives. Managers that give trust and freedom to employees is seen as a strong motivational factor. Freedom and trust can be achieved by that the employees or entrepreneurs can own the decisions for innovations. This lets the innovators become engaged and absorbed by the ideas and from the findings it is clear that this is a reward in itself.

The activity mapping described by Porter (1996) is used to determine the level of strategic fit between activities in an organization. The project leaders found it challenging to use the activity mapping in an early stage of their innovation projects. One of the main challenges discussed were how to make an innovation fit inside a complex organization and to create strategic fit between activities that are strong. One of the main reasons that it was difficult to achieve a strong fit was that the radical innovation needed new capabilities that previously did not exist before inside the organization. Another thing mentioned was that it is difficult to map out the activities in an organization that is very large and complex. One reason for this was that communication between some departments may be lacking and also that it is difficult to verify the mapping since it is rare with people who understands all the activities across the whole organization.

The areas where the new activities fit with existing activities was noted by the project leaders to be a potential area where to first communicate their innovation project, and by including them in the innovation project could lead to a better ability to create a strong strategic fit between the innovation and the organization. In order to do this the project leaders discuss the importance of creating an understanding of the organization both in order to be able to identify what activities that currently exist but also to identify what incentives that drives each part and how they potentially could benefit from the innovation. By doing this the project leaders can communicate the innovation by highlighting the specific benefits that the innovation could contribute to that part of the organization. Some of the potential benefits that could be communicated are how the activities of the innovation can help the current projects and tasks conducted at the existing part of the organization and also how they could create new opportunities for future innovation projects.

1.6 Conclusions

The star model was used to help identify different challenges when implementing an innovation inside an organization. Some of the main challenges identified were: integrating new capabilities, structure & processes that slowed down innovation, creating a suitable reward system and convincing an organization to hire people with new needed competences.

In order to integrate new capabilities into an organization it is important for corporate entrepreneurs to be able to communicate their value to an organization. The reason for this is that while organization may acknowledge new competences, the corporate entrepreneur must still convince the organization that they are important enough to become a core part of the organization.

Regardless of whether the structure is hierarchal or open, the corporate entrepreneur must be able to create an understanding of the existing structures in order to overcome them. This is needed in order for the entrepreneur to know who to talk to in order to make the project progress further.

Some organizations lack innovation processes and some organizations have processes suited for incremental innovation. Processes can support entrepreneurial initiatives, but they need to suit the specific project and it is up to the corporate entrepreneur to create suitable KPIs for a radical innovation project.

Outsourcing innovation projects instead of hiring people may indicate that the organization does not fully commit to an innovation. By not hiring people with new needed core competences for the innovation, the organization will not be able to create a sustained innovative environment.

Suitable reward systems are difficult to define for corporate entrepreneurship initiatives but having freedom and trust from the organization seems to be motivating factors. The freedom should also be combined with a project specific metric which could be something like ability to increase knowledge.

Making the new activities of an innovation fit inside an existing organization is challenging. Both knowing where the new activities will fit is difficult, but also to create a strong strategic fit. The parts where the innovation could potentially fit should be starting points for communicating the innovation to the existing part of the organization and by including these parts of the organization, the collaboration could lead to an ability to create an even stronger strategic fit.

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2 Organizational Change

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2.1 Introduction

This report will analyse the characteristics of an organization with entrepreneurial abilities, and its ability to conduct change within the organization. Further it will investigate how this relates to the core purpose and actual ways of working at four corporate entrepreneurial cases.

2.1.1 Background

Successful companies are dependent on renewing themselves in the same speed as the market is developing to stay competitive (Stadler, 2007). A faster pace in technology evolution has influenced this acceleration. One example of this is that during the last 15 years, the velocity of obsolescence of web-enabled services shifted from 2-3 years to only 14 months (Gersh, 2013). Therefore, entrepreneurial capabilities in terms of creating and developing new business is now seen as a competitive advantage and source of organic growth (Wolcott and Lippitz, 2007). This since it provides the company with a driving force by always questioning the status quo (Schumpeter, 1934).

The failure rate of most organizational change initiatives is however as many as three-quarters. Several studies report that the main reason for this failure is related to a neglected organization's culture (Cameron & Quinn, 2011). This brings out the importance of considering both the implementation of entrepreneurial initiatives, and the current structure and organizational culture within these organizations. This in order to embrace the development of the entrepreneurial capabilities needed to drive this crucial change.

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

The biggest challenge companies face in this fast-paced market era is fostering innovation as a source of competitive advantage, while maintaining its current operations and core business (Sathe, 2003). According to Galbraith (1982), an innovative organization cannot be built in the same manner as the operative organization maintaining the core business. This because they are specialized to do different things. Doing something for the first time and doing the same thing over and over again requires different characteristics and structure. Therefore, an organization that wants to renew itself needs two organizations according to Galbraith. The innovative organization needs to be designed for this specific purpose and it needs to be differentiated and separated physically, financially or organizationally from the operating organization. This to not be constrained by the often rigid structures that are well suited for the operating organization, but could prevent innovation.

The innovative organization needs so called entrepreneurial capabilities, which can be described as three main activities: opportunity identification, opportunity evaluation and new venture creation (Bayon et al., 2015). The organization must have processes that enable knowledge to blend, ideas to form, and where there is funding for realizing them (Galbraith, 1982). It is crucial for them to be able to process the asymmetric and unreliable information that is related to innovative projects (Busenitz and Barney, 1997; Eckhardt and Shane, 2003). This uncertainty and risk can be handled in for example a trial-and-error oriented development process where constant learning takes place (Peters, 2004).

However, having the entrepreneurial capabilities in an organization is not enough, there needs to exist spaces for an entrepreneurial process to thrive too. Hence, reward systems must attract idea generators and provide motivation for putting in the extra effort that innovation requires. Further, the company's organizational culture and core purpose are crucial components in developing and sustaining success. In fact, it is difficult to name even a single highly successful company or industry-leader that does not have a distinctive, readily identifiable organizational culture and purpose (Cameron & Quinn, 2011). Cameron & Quinn (2011) are stating that the power of a clear core purpose and a unique organizational culture it reduces collective uncertainties, creates social order, perpetuates key values across generations of members, creates a collective identity and commitment and elucidates a vision of the future.

It is not coincidence that these advantages are tightly related to the entrepreneurial abilities already mentioned. Since organizational culture may reduce the risk and uncertainty it can enhance the opportunity identification, opportunity evaluation and new venture creation and allow it to be developed and sustained in an innovative organization (Ajmal, 2009).

Organizational structures as team formation, hierarchy and knowledge sharing can have an important impact within innovative projects (Ajmal, 2009). For instance, Thomas J. Peters (2004) writes that sense of ownership and competition are drivers for successful innovation projects. Working in small teams, where everyone has a close relationship to the project would increase this as the developers yearn to be the first with this on the market.

Lastly, the implementation of entrepreneurial capabilities is not enough to achieve desirable and sustainable change in a company. The change needs to be integrated in the overall approach to change an organization's direction, values and culture for real (Cameron & Quinn, 2011). The following are three examples describing how the ability to process information inside

innovative organizations can be transferred and integrated into operational organizations to drive change (Liedtka & Rosenblum, 1996).

Firstly, the Continuous Improvement Mindset refers to an experimentation and iterative process where concepts and prototypes don't have to be perfect to be tested. This practice nurtures a culture of early failure acceptance and fosters a general organizational learning. This since each "try or experiment" brings up learnings that must be shared to the rest of the organization.

Secondly, according to the Dynamic Capabilities Theory (O' Connor, 2008) the real value of an organization lays on its own capabilities to adapt, integrate and reconfigure the changing environment to develop a competitive advantage. For an organization operating in these changing markets and want to embrace innovation there can be no standardization of processes. Instead there is a need of a Value System Instauration that will provide a common purpose, vision and alignment.

Thirdly, there is a need for creating a common cognitive frame to reduce confusion and false expectations. This alignment can be developed by conversation inclusion, where cross functional teams bring diverse perspectives and backgrounds to bear with challenges and co-create strategies.

Even though these three initiatives are focused on injecting entrepreneurial capabilities inside an operational organization, resistance from the organizational culture can appear. Employees might not be prone to change and since the innovation may make their knowledge obsolete which can make them feel threatened (Galbraith, 1982).

2.3 Method

To investigate the correlations between the company purpose and culture with entrepreneurial ability and answering the research question, the following steps were conducted:

1. Analyse the mission and vision for the company and retrieve the core purpose.
2. Make a comparison between the core purpose and the characteristics of an innovative organization according to the literature review (entrepreneur capabilities).
3. Identify organizational culture practices that support the core purpose.
4. Observe the organizational characteristics of the organization.
5. Identify organizational culture practices that supports the entrepreneur capabilities development and integration to the organization.
6. Interview relevant people to understand how they perceive they organizational culture and core purpose in terms of driving entrepreneur capabilities.
7. Interview relevant people about how the organization has been renewed and how that change took place.
8. Make a comparison between the interview results and the characteristics of an innovative organization according to the literature review.
9. Answer the research questions and draw conclusions.

To conduct these steps, company documents were analysed, interviews were held and action based research was conducted (Berg, 2009).

2.4 Findings and analysis

The methodology described in 3 *Method* was used in a workshop for four corporate entrepreneurial cases. All the cases were analysed in a workshop and the result is described in section 2.4-2.6.

2.4.1 Core purpose and Organizational culture

The company's organizational culture and core purpose are crucial components in companies that are developing and sustaining through a distinctive, readily identifiable organizational culture and purpose (Cameron & Quinn, 2011). Based on empirical data, the organization's core purpose plays an important role for the intrapreneur, since it can both help communicating the value of an intrapreneurship project and can give direction and sense of meaning, as well. According to Cameron & Quinn (2011), the power of a clear core purpose and a unique organizational culture reduces collective uncertainties, creates social order, perpetuates commitment and elucidates a vision of the future. This allows the intrapreneur to frame the project's value according to the organization core purpose, providing a better fit of the project in the existing mental frames of the people around him or her, and thereby increase the possibility that they will understand, value and invest in the project.

Even though, empirical data based on the four companies has stated that is not easy to create and achieve instauration of a core purpose or organizational culture that generate success on its own. In order to generate competitive advantage, the core purpose and organizational culture need to foster an innovative mindset. As stated by Ajmal (2009) organizational culture may reduce the risk and uncertainty, it can enhance the opportunity identification, opportunity evaluation and new venture creation and allow it to be developed and sustained in an innovative organization. This research empirical data has shown that in terms of innovative projects, a core purpose that is too narrow can limit the thinking of the employees of a company, even for the intrapreneur. The core purpose should include WHY the company is doing something, but, delimitating WHAT the company is supposed to do may risk narrowing the scope too much. The result may be either that (1) the intrapreneur gets a very tough job getting others to relate to and invest in the project, or that (2) the intrapreneur will not achieve any innovation height. This is certainly problematic when striving for the continuous change necessary to stay competitive in the fast-changing markets. Therefore, the core purpose needs to be wide enough to allow broad interpretation, but narrow enough to give some direction and sense of meaning.

Having a core purpose that is favorably formulated is not enough however. The core purpose needs to be anchored in the organization too. This because it will not make any difference if the employees have not learned, accepted and embraced it. That conclusion comprises all overall company information and culture. If it is not anchored, it will not have any impact.

Implications for the intrapreneur

For the intrapreneur, it is important to be aligned with the company core purpose. This to make the value provided by their project meaningful for the people concerned and for the company, and to have them relate to and invest in the project. Hence, helping the intrapreneur to work in synergy with the company rather than against it. Not managing to get managers and other decision makers to relate to and believe in the project may prevent the project from moving forward due to lack of support and resources extremely vital for its success. Providing a sense of meaning for the project is also important in relation to the people taking part in developing

the project. This will allow people involved in the project to share a purpose that will incentivate them to go the extra mile and help making the project successful.

Nevertheless, the definition and instauration of the core purpose is highly important. If it is not understandable or related to what the employees think about the company, is hard to achieve a successful alignment. A too narrow core purpose may not allow innovation to flourish and will force the intrapreneur to motivate why the company should discard or change its core purpose. If the core purpose is not anchored, the intrapreneur needs to find out what is providing a sense of meaning to the employees and frame the project according to that instead.

2.4.2 Organizational Characteristics

This section will describe different aspect of the organizational characteristics and their implications related to the ability to drive innovation and change.

Ability to Change

A company's ability to change or disability to has a large impact in the intrapreneur and his or her innovation project. The first piece of the puzzle for the companies here is to understand the need of changing. Not changing is comfortable, being forced to change may however evoke reluctance. As stated by Galbraith (1982), employees might not be prone to change since the innovation may make their knowledge obsolete which can make them feel threatened. Having this reluctance can stop or delay innovation and could be mitigated by helping employees understand the importance of change and gather them under a shared sense of meaning and safety.

The reward systems and culture is also crucial factors for promoting change and innovation within organizations. If driving innovation is not rewarded in any way, but rather seen as an uncomfortable and unnecessary obstacle, no one will have the urge to drive innovation. Further, there is always a risk for companies to get stuck in their ways or believe that they are very innovative and thereby blind to the fact that they are losing pace. Applying thinking that was successful in their previous projects or believing that having succeeded once will make them succeed in the future, could make the organization slow and not very prone to change. This problem can lie both in the overall culture and in the mindset of the employees.

Organizations pushing change and innovation but lacking flexible structures is another obstacle intrapreneurs found during this research. Empirical data shows that employees with great ideas and drive are prevented from becoming intrapreneurs or being involved in such initiatives because of a heavy workload. This gives no space for innovations, neither energy for driving innovation among the employees who could have been a great source for innovation and change. Further, the structures of the organization must allow disruption and change. If they are too rigid and impossible to change, any innovation project will die.

Driving innovation requires the companies to keep investing in innovation initiatives, and not kill them as soon as the revenue streams are lowered. Innovation should not be seen as a fun thing to do when being profitable, but rather a crucial activity to gain competitive advantage. Therefore, the companies must keep investing in it throughout the year and years, to allow the innovation project to grow and become successful, rather than be terminated any month the profit margins are lowered.

Implications for an intrapreneur

One of the first things the intrapreneur must acknowledge is how difficult is to implement one's own way of thinking and working within the organization by only educating people on how great it is. This often requires change, and not always the change the employees can relate to and understand based on their existing mental frameworks. Therefore, it will evoke and feed reluctance, if someone new tries to teach them what to do in their own expertise area. Because of this, based on the empirical data from this study, it has been more successful to start by understanding the current state of the context before trying to change it. This allows the intrapreneur to adapt the communication around the change to fit into the existing mental models within the company and thereby help them understand it, decreasing reluctance.

When promoting change, it is suggested to make it in small steps and finding someone with previous legitimacy to help the intrapreneur to promote it. Since change can bring uncertainty which is difficult to mitigate, having help from someone's existing legitimacy can help decision makers to feel safer and less uncertain when investing in change. This can be done by influencing someone with direct decision power, or someone that has a previously strong influence on a decision maker. If this does not work, trying to show the decision makers the potential success of the project using as little means as possible may be the way forward. This can help lower the uncertainty and increase the trust the decision makers have for the intrapreneur.

Ambidexterity

The biggest challenge companies face in this fast-paced market era is fostering innovation as a source of competitive advantage, while maintaining its current operations and core business (Sathe, 2003). But when it comes to applying this ambidexterity, there seems to be pro's and con's to this structure. The pro's being that initiating and running initial phases of the innovation project may become easier in a space that is not limited by the structures and culture of the main organization. Therefore, it may be possible to start testing and getting some result and legitimacy for the project before investing in it needs to be motivated. However, accomplishing a transition by having someone taking over the project once it is developed may be difficult. The intrapreneur can never be sure of succeeding with getting the main organization to accept this disruptive change, even if there are facts pointing at its potential. Empirical data during this research shows that the "Not Invented Here" syndrome represents also a problem when incorporating the innovation into the operational organization.

On the other hand, not using ambidexterity, has other issues to be addressed. As Galbraith (1982) mentions, the innovative organization needs to be designed for this specific purpose and it needs to be differentiated and separated physically, financially or organizationally from the operating organization; in order to not be constrained by the often rigid structures that are well suited for the operating organization, but could prevent innovation. Therefore, starting an innovation project within an organizing that does not have a separated or a flexible structure to do something new is a real challenge and the projects risk dying before it even started. Due to the possible lack of resources, support, and the potentially restricting culture, the project may have to be taken out of the main organization anyway to survive. In other cases, the project may have to be changed and limited to fit the current context, meaning that it loses innovation height.

In conclusion, it will be always challenging to address the non-fit between the main, exploitative organization and the innovation project whenever it is faced. For the intrapreneur to mitigate

this, he or she must consider the previous recommendations concerning helping organizations to change.

Dealing with uncertainty

Uncertainty is always closely tied to innovation projects and therefore, something that needs to be dealt with, both by the company and the intrapreneur. In the projects proceeding this report, different ways of dealing with uncertainty from the companies were discovered.

1. Having lots of criteria for the innovation managers to fulfill before moving forward
2. Postponing making decisions because they did not know how to make them
3. Aiming to support as much as possible, asking many questions about how they could help

The first example slowed down the project since the innovation managers had to try to get information in the different criteria, which were not possible to foresee yet. These criteria may have provided another source of failure rather than decreasing uncertainty. The second example ended up preventing innovation since it made the projects losing momentum and it was not possible to move forward without commitment and investment from the company. The third example however, made it possible for the innovation managers to access needed resources and move forward.

The conclusion to be drawn is that companies can prevent innovation by assessing them too narrowly or not making decisions in time, and they can help the projects move forward by trusting them, daring to take risk and providing the needed resources.

Implications for intrapreneurs

To deal with uncertainty and help mitigating it for the decision makers, the intrapreneur needs to understand the existing management system in place. This will help him to discern when this system can be useful or represent a limitation for the innovation project. Further, the intrapreneur should manage the expectations from the decision makers and help them to early discuss the implications of working with an uncertain project. This way, they can be prepared to deal with the uncertainty beforehand and not become rigid or paralyzed when they need to act. When communicating with the decision makers, the intrapreneur needs to reframe their message and communication to fit the current mental frameworks of the decision makers. It can also help to try to present knowledge from other sources when it is not possible to use the regular sources of information to decrease uncertainty. One example for this may be presenting new criteria and make sure the project fulfils them if the existing criteria is not applicable.

Team dynamics

Organizational structures as team formation, hierarchy and knowledge sharing can have an important impact within innovative projects (Ajmal, 2009).

Sense of ownership

Based on empirical data collected during this research, official ownership of projects often belongs to a manager, but sense of ownership can belong to anyone who is really engaged in a project and is passionate about moving it forward. Thomas J. Peters (2004) writes that sense of ownership and competition are drivers for successful innovation projects. Working in small teams, where everyone has a close relationship to the project would increase this as the developers yearn to be the first with this on the market. Having sense of ownership inside a

team is important to evoke passion, and that passion is vital to drive the project and evoke the same passion in other project team members. Therefore, it is important for the intrapreneur and innovation team to have and share a sense of ownership for the project. Having the sense of ownership lying just with the managers may steer the project in a direction that is desired by the manager and/or kill the passion in the team.

Competition

Based on the empirical data collected during this research, a sense of competition can be either beneficial or not beneficial for an innovation project. Beneficial because it can provide a sense of urgency, evoke passion and make people invest in solving problems and moving forward. Not beneficial because it can make people unwilling to cooperate and seek synergies; even become very protective about their project. This could prevent development and the promotion of the project internally, which can be a problem later when seeking investment. The conclusion to be drawn here is that positive competition is competition that is outspoken and where the competitors have a common goal. Examples of this can be when two teams compete openly about solving the same project first with the aim of e.g trying two different approaches. Negative competition arises when there are hidden agendas and a fear of losing e.g position, budget or legitimacy if losing the competition.

Implications for the intrapreneur

For the intrapreneur to create good team dynamics, the same rules as always when creating a team applies. This means being open and not having any hidden agendas, align the expectations of the team and the way or working that is going to be used, and creating common frames to hold on to when dealing with uncertainty. Further, be careful with communication, transparency, integrity, honesty and valuing each other, it is vital to build psychological safety within the team.

2.4.3 Entrepreneurial capabilities

The innovative organization needs so called entrepreneurial capabilities, which can be described as three main activities: opportunity identification, opportunity evaluation and new venture creation (Bayon et al., 2015). Firstly, for being able to identify, evaluate and exploit innovation projects, there are certain capabilities the organization needs to have in place. The organization must have processes that enable knowledge to blend, ideas to form, and where there is funding for realizing them (Galbraith, 1982). Therefore, there needs to be a proper evaluation system, including people that are knowledgeable in e.g the market, trends and within the certain technology assessed. Moreover, they need to know how to assess high uncertain projects, and be aware of that they cannot use the same models as for incremental development. Further, it is important to be aware of the risk of people saying yes for political reasons, or saying no to resist change.

There needs to be a space for innovation projects to form and be developed too. This considers both time and other resources, and space and rewards for driving innovation. The rewards can be e.g recognition or being able to pursue one's own idea. One way the company could do this is to gather ideas from employees and find ways of making sure these are developed. For engagement, passion and sense of ownership, it can be a good idea to involve the idea provider. Another way can be to have people working with this full time and allowing them to explore and gather knowledge both inside and outside the organization. To succeed in this, the companies must set aside resources for structures for this, so that it is not down prioritized.

2.4.4 Motivation

As a result of this research, to motivate an intrapreneur, there needs to be some more “intrinsic-oriented” rewards than monetary ones. Examples of this can be having a clear sense of meaning to work towards, or giving people freedom, supporting people even when they are driving uncertain projects and trusting them to make decisions and drive them. Another option could be giving the individual credit for work they have done, rather than awarding it to the department manager or company. Another way of keeping people motivated can be to invest in them, allowing them to develop and explore. This shows that the company believes in them. However, finding the right motivation for each employee is an individual matter where one size will not fit all. This requires the managers to know their employees and the company very well in order to make motivation meaningful.

There are however means of demotivation discovered in the projects proceeding this study. They are:

1. Lack of freedom.
2. Tied to limitations.
3. Slow decisions.
4. Calling the intrapreneurs students (taking away the legitimacy and ownership).
5. Managers taking ownership for something the intrapreneurs did.
6. Managers taking things the intrapreneurs suggest and present is as if it is their own idea.
7. Managers not trusting the intrapreneur’s judgement.

Implications for the intrapreneur

There are means to be used for finding one’s motivation as an intrapreneur. These can be clear goal setting - providing a sense of achievement, dividing the project into small goals – celebrating and gaining recognition in every victory, defined purpose – providing a sense of meaning and defining the value the team is providing and who that value will affect. All of this can help finding “intrinsic-oriented” motivation, helping to put in the extra energy needed to drive the project forward.

2.4.5 Transitioning

The change needs to be integrated in the overall approach to change an organization's direction, values and culture for real (Cameron & Quinn, 2011). Therefore, for a company to foster transitioning and integration of innovation projects, capabilities and knowledge, there are certain measures to take. The first being to evoke willingness to take on projects and adopt knowledge. This can be done by making structures allow it and reward it. As Liedtka & Rosenblum (1996) states, there is a need for creating a common cognitive frame to reduce confusion and false expectations. This alignment can be developed by conversation inclusion, where cross functional teams bring diverse perspectives and backgrounds to bear with challenges and co-create strategies.

Companies also need to add resources, both in terms of time for the involved employees and investment. Based on the Dynamic Capabilities Theory (O’ Connor, 2008) the real value of an organization lays on its own capabilities to adapt, integrate and reconfigure the changing environment to develop a competitive advantage, being aware that this transition will not be achieved with standardization of processes. Therefore, companies need to acknowledge the importance of allocating time and monetary resources to find the way on integrating innovations into the core business.

Another important fact showed in the empirical data was the need to make sure the employees feel safe working in innovative projects, not fearing the implications of a potentially “failed” project. This situation is aligned with the Continuous Improvement Mindset by Liedtka & Rosenblum (1996) where these projects should be framed into an experimentation and iterative process where concepts and prototypes don’t have to be perfect to be tested, by nurturing a culture of early failure acceptance that fosters a general organizational learning.

Finally, they need to evoke passion in their employees to have them invest the extra energy it takes to change and adopt new projects and ways.

Implications for the intrapreneur

For the intrapreneur to help the organization transition knowledge and innovation project, they need to consider all the measures previously mentioned. It is important to e.g adapt the communication to the context, drive change in small steps, gain legitimacy by showing result or by inflowing someone with previous legitimacy, provide a clear purpose with the change etc. But most importantly, the intrapreneur must not give up if they meet reluctance, but rather reframe the message and try again.

2.5 Conclusion

Core purpose and culture relates to entrepreneurial ability of a company:

The entrepreneurial ability is defined as the ability the innovate and change

Having entrepreneurial abilities means that a company needs to create conditions allowing change and promotes innovation in ways which are previously described. This may be uncomfortable to a company who are experts in providing the value they are selling today. Therefore, it is important for the company management to understand and have a sense of urgency concerning the importance of change and innovation. This can come from e.g changes in the market or changes in customer demands. A company operating on a market that is under lots of change, and where competitors are developing and presenting new products and services is under pressure to innovation to stay competitive. A company who experience changed customer needs and demands needs to find a way of filling them rather than the old ones to not lose their customers. Both these scenarios imply an urgency to change and should make the company management to act, creating the essential conditions.

One crucial step in that process is of course to have a well formulated core purpose for the employees to gather around. The next would be to anchor it in the organization and make people act upon it. This will be the foundation for forming the enabling structures and culture that is crucial for innovation. Failing to formulate a core purpose that promotes change and innovation and failing to spread it and anchor it properly, may therefore, mean that company is incapable for driving innovation, resulting in that they may become obsolete in the long run. The conclusion is, therefore, that the core purpose and culture are crucial for developing and making room for entrepreneurial abilities.

2.5.1 Implications of the company’s entrepreneurial ability for the intrapreneur

Lack of entrepreneurial ability in the organization will make the job of an intrapreneur much more difficult. The intrapreneur will always face the challenges described in the study and will have to adapt to his or her context to succeed, but the challenge will be easier to overcome if

the organization is fit for driving innovation. The suggestion for the intrapreneur would be to keep an internal focus, with a clear purpose and plan to promote change and create value – but have different ways of communicating it. To be able to do this, the intrapreneur must spend much time understanding the different contexts he or she is operating in and finding ways of communicating appealing to these. When doing so, it is important to keep one's internal focus and belief in that the project is valuable to not be thrown of course when facing reluctance. If succeeding, the intrapreneurs can continue to motivate themselves and their teams, while handling the inertia of a large organization and successfully drive innovation.

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3 Entrepreneurial sales

Besart Ferizi, Carlos Sanchez

3.1 Introduction

Disruptive innovations don't always come from outside of a company but also from inside, from a person or group of individuals that identify opportunities and that are determined to pursue them. However, venturing in projects that involve disruptive innovations is always a challenge for companies, especially for those who already have structures, processes and resources designed to get maximum profit out of incremental innovations (Christensen, C.M. & Overdorf, M. 2000). In addition, initial profits from disruptive innovations are misaligned with current mainstream profits, which increases the reluctance to pursue such initiatives (Christensen, C.M. & Overdorf, M. 2000). Therefore, the job of entrepreneurs is to learn how to get people involved to help them to sell their initiatives.

This section will explore two of the most important elements to help entrepreneurs to get people involved and sell their initiatives; first finding the right people and then, motivate them to gain willingness and trust.

3.1.1 Purpose

Any individual who wants to turn an idea or a product to a success will at some point need to have additional people on board. Either as partners or as potential customers. The purpose of this study is to explore how entrepreneurs go about obtaining people in the organization that are willing to support the entrepreneurs' idea or innovation, both internally and externally. The purpose is also to provide recommendations for future entrepreneurs in the process of obtaining ambassadors.

3.1.2 Research question

How do corporate entrepreneurs obtain ambassadors that will help them sell and develop their innovation?

3.2 Literature review

People who will help you develop or spread your idea of innovation internally or externally could be called ambassadors. To obtain ambassadors could be the most important factor for convincing the top segment of the organization about the greatness of your idea. According to Kotter and Whitehead (2010) it's important to clarify the value proposition of your idea or initiative, to know the purpose, what do you want to accomplish and what kind of benefits the idea will provide the organization.

3.2.1 Collect information theory

Kotter and Whitehead (2010) mentions seven points that entrepreneurs should prioritize to gather the information needed to support your idea when finding ambassadors and creating a strategic alignment.

These points for information gather could be summarized into;

- Identify the goals of the organization and top managers and how the entrepreneurs' initiative could help achieving these.
- Identify and address the fears and concerns of the organization
- Adjust the entrepreneurs' language to the person they are talking to
- Communicate success stories, e.g., what has worked in other organizations
- Talk about the advantages for the company when working to be innovative, e.g., create new markets; and induce concerns of failing if not working with it, e.g., lose market share and stay behind competitors
- Create inspiration by reframing challenges as opportunities
- Explain the importance of creativity and how your organization could make it work

3.2.2 Find the right people

For entrepreneurs to be able to successfully sell their ideas or initiatives, they need to understand how the idea will impact the organization and which people in the organization are most likely to identify a need and agree to the solution the idea is providing. For years' writers on selling have been emphasizing how much easier it is to penetrate new and existing accounts if salespeople have political support on the inside. Rackham (1989) found in his study that successful salespeople tended to seek a sponsor, an individual within the account who helped them and when needed to be represented in places where they couldn't gain access. Rackham (1989) mentions that new and disruptive products may lack a purchasing channel, which is the natural entry of selling. Instead, new products require a sponsor within the target organization in order to sell. The same reasoning could be used when selling ideas internally, meaning that entrepreneurs need to get ambassadors who are willing to help the entrepreneurs to sell their ideas internally.

Rackham (1989) describes an entry strategy that is based on three different kind of sponsors that will help entrepreneurs in the process of selling their idea.

- The focus of receptivity - the point in an account where there were receptive people who were prepared to listen sympathetically
- The focus of dissatisfaction - the point in an account where there were people unhappy with present system or supplier
- The focus of power - the elusive point in an account where there were people able to make the decision

In some cases, the same person could hold on to these three different attributes.

The receptive individual is someone who has shown interest in the technology or might just be welcoming and listens when you talk. These individuals are important in order to gain more information about the account and to gain access to others in the account. The danger of receptivity is that interest from a receptive individual might be misinterpreted as progress, while you are actually standing still in the process. Rackham (1989) found that successful salespeople used the focus of receptivity to gain them access to a person or a function where there was a probable cause of dissatisfaction. According to Rock (2008) another important aspect when approaching different individuals is to adjust the language to each occasion and person. According to Rackham (1989), there must exist a dissatisfaction situation, person or group of people who are experiencing any kind of constraint in order to be successful in selling an idea or solution. Without dissatisfaction, there's no basis for sale. Lastly, entrepreneurs have to identify and reach the focus of power, where the decision-making power exists.

3.2.3 The role of leadership in influencing ambassadors

Cooper (2003), states that leadership is the process through which the leader activates motivation that allows individuals in the organization to achieve certain goals. Shani et al. (2009), describes motivation as the internal force that makes people to behave in certain ways. Hence, the purpose of the leader is to discover which are the internal forces that encourage action in the followers to effectively elaborate managerial tactics to gain people willingness (Shani et al., 2009; Cooper, 2003).

Motivating followers in the current dynamic competitive context is a major concern for most leaders (Cooper, 2003). This is not an easy task since motivation is a set of external and internal elements that affect human beings such as psychological processes, personal characteristics and contextual forces (Shani et al. 2009).

Leadership theories range from old ones stating that leaders are born with some *personal traits*, to more recent theories like *contingency theory* that states that leadership is a process that considers the organization, the environment, personal characteristics of employees, specific situations and current relationships between leaders and followers (Cooper, 2003).

One of the most suitable leadership theory applicable in an entrepreneurial setting is the *transformational leadership theory*, which explains that leaders must inspire followers through a display of energy (Cooper, 2003). Leaders are considered to be change agents, courageous, visionaries, value driven, being able to lead in uncertain terrains and believe in people (Cooper, 2003). In order for leaders to gain the trust and respect from followers and motivate them to accept suggestions, they must understand and integrate followers' needs within the goal leaders are pursuing and present the idea in stressing the benefits for them (Gallo A., 2010). This will also generate trust and commitment among followers (Cooper, 2003).

3.2.4 Motivation theories

There are some motivation theories that help to understand the needs of followers and design some interventions to motivate them (Cooper, 2003). The theories used by the authors of this thesis are those centred in the individual's needs like Maslow theory of needs, McClelland's n achievement, n power and n affiliation and Herzberg's motivation hygiene needs theory (Shani et al. 2009; Cooper, 2003). All three theories overlap in some elements and all agree on that the followers' behaviours are related with the fulfilment of needs, being them psychological, safety, social, esteem, self-actualization, achievement, affiliation, influence, control, extension and dependence (Shani et al., 2009).

The role of leaders in influencing ambassadors must start from the observation in daily interactions with followers, understand through their behaviour what kind of needs they seem to have and initiate action by developing goals that take into consideration followers needs. In addition, leaders should be aware of the type of leadership that is required and always be flexible to modify their tactics.

3.2.5 Considerations when pitching your proposal to decision making people

No matter how good the proposal is, the target is to convince stakeholders that is worth working on (Gallo A., 2010). To achieve this, establishing alliances early on in the process of selling an idea is necessary to gain informal approval (Gallo A., 2010). Doing this has many purposes, one of them is to explore terrain of what stakeholders think about the problem and solution and also to get feedback of aspects that were not considered in the beginning and thus build a better proposal. This also helps to display a real appreciation of the stakeholders' ideas and gain trust as described earlier.

Another way to gain trust is to always be prepared. The leader must be prepared well in advance to answer most of the questions that may arise by stakeholders (Gallo A., 2010). Most of the time the questions are the result of four basic stakeholders' positions: they want to delay the decision, they want to create confusion in the audience, they want to rise fears, or they want to attack personally (Gallo A., 2010). Prepare different scenarios for each of the possible stakeholders' positions and answer the questions as simple and confident as possible (Gallo A., 2010).

3.3 Method

3.3.1 Methodology

In order to conduct this study properly, the authors of this thesis identified the need for a research method that allowed the study to influence the organization. In the book *Qualitative research methods for the social sciences* written by Berg (2009) Action research is presented. The model encourages involvement, reflection and participation. Berg (2009) defines the model as a collective, self-reflective enquiry embarked upon by a group of people in order to improve the surrounding condition that they are all involved in.

Based on the research question, the authors of this thesis will conduct a study at four different companies with the purpose to affect potential internal ambassadors to spread and develop the idea further. To gather information and create broader learnings from all the companies involved, workshops will be utilized in order to discuss and reflect on the findings.

The one-pager table displayed in appendix 1, show a compendium of recommendations based on the literature described in this part of the thesis. This table is not intended to be followed in the specified order but to be used as a reference of how to map out ambassadors, understand company's and ambassadors' needs and leverage them when presenting your idea. In addition, students are also encouraged to ask questions according to the project needs and circumstances. The purpose of the one-pager table is to test and evaluate the methods used during the time at the four different companies.

3.3.2 Data collection and data analysis

The data will be collected through the use of the one-pager table in appendix 1. Students are required to fill up the table with their findings for each company they are working at, trying to be the most explicit as possible to have a clear and precise idea about the subject.

The information gathered in the table will be analysed and compared case by case by the authors of this thesis, in order to try to find some similarities and patterns among the different company's projects and then group them to discuss during a full day "sales workshop" where all students from the four different companies will take part to provide cross-findings analysis. In these workshops, the participants will have the possibility to confirm or reject the similarities identified by the authors, as well as further elaborate on the data. The data analysis in this study is therefore not solely based on the authors but rather a collective analysis of eight project members, including the authors.

3.4 Results and Analysis

Collect information

The cross-findings based on the four different projects emphasizes the importance of understanding the goals of the organization and top managers in order to steer the projects towards those goals. This is in line with the reasoning of Kotter and Whitehead (2010) that argues that finding these goals is important to find support for the idea. In the process of finding the organizational goals, the authors of the study utilized strategic documents available for employees. These findings were usually on a high-level in the form of a vision, mission, and strategy statement. In the case of difficulties interpreting the strategic documents, managers were asked to further elaborate and explain the specifics in order to create a better understanding of the goals. During these discussions the employees often expressed their understanding and view of the company goals from their individual perspective.

As part of understanding the goals of the organization and individuals, Kotter and Whitehead (2010) claims that there is a need to address the individual and organizational concerns and fears and address the risk of failing. The findings in this study illustrates failure on two different levels; personal and organizational. Some organizational cultures might be punishing towards individuals that fail and therefore employees in this kind of context will be reluctant to take risk. One way of addressing this concern by the entrepreneur is to build trust in the relationship by showing competence, understanding the challenges and needs of the organization and individual, while delivering on promises. The findings in this study also reveals that one effective way of working in risk-avoiding cultures, is to frame the idea towards the possibilities for the individual and the organization. Presenting the upside potential and selling a career, could be used as an effective method to address the risks.

Find ambassadors

As described by Rackham (2009), disruptive initiatives as well as disruptive products may lack an established channel of distribution. In the case of selling ideas in the four working projects, this can be translated into an established channel of communication. Rackham (1989) describes a strategy to communicate new initiatives. He states that is important to map out three different kind of stakeholders; receptive people, people with dissatisfactions and people with decision power. Cross-findings have shown that this as an important step to make the initiative move ahead. At the beginning of the interactions with people, it could be difficult to identify what role the different stakeholders have and in addition, as described by Rackham (1989), one person could have the three different roles.

From all projects, it has been observed that the starting point, and most important one, is to start networking as soon as entrepreneurs have adapted their initiative as described before. The easiest and most practical way of doing this is the “coffee machine” chats, which is a representation of informal talks handled in areas such as communal kitchen, coffee area, lunch room, etc., and where entrepreneurs are encouraged to introduce themselves and talk openly about their innovative ideas and their purpose. Similar as in the sales field, the more interactions entrepreneurs can have, the higher the probability of finding the right people and higher the chances to proceed with their initiative. In addition, networking was shown useful to be recognized as part of the organization, to gain feedback and adjust the initiative, to understand the dynamics in the organization, to connect with more people and in some cases to develop alliances that will help them to move their initiative further. Findings also show other important interaction approaches such as formal talks and presentations.

An interesting characteristic observed during all projects is the adaptation of the message and language according to the person the entrepreneurs were meeting. Adapting the message means talk about the potential that the initiative could bring and possible ways to overcome challenges. Adapting the language and message seems to be important as this shows a real interest for the needs of the other person and builds legitimacy by being able to talk the same language.

According to the findings, some of the benefits of identifying the receptive person is that this person brings feedback about the initiative and helps to reach out other people in the organization. These people may be more willing to support the initiative or could be experiencing a dissatisfaction situation that can be solved by the innovative idea. This last benefit is clearly identified by Rackham (1989).

During the process of finding ambassadors, cross-findings have shown interesting things while addressing the dissatisfaction person or situation. The main constraint faced by the dissatisfaction people was the lack of resources such as time and people to move their innovation forward. Most of the times, the lack of resources was due to a prioritization reason between the innovative idea and the normal projects in the companies. This was an indication that there was a misalignment with the corporate strategy and lack of business potential. It was also observed that uncovering and understanding dissatisfaction situations can serve as a base to develop arguments that support the initiative and therefore leveraging people and the situation itself to move the idea further.

Conversely, there were some projects where, in order to pursue an innovative idea, the creation of a dissatisfaction situations was intended but didn't fully succeed. In those cases, the preferred action path was observed to be the adaptation of the initiative towards a more real dissatisfaction in order to get resources, but the original innovation initiative tended to be partially dismantled or abandoned. This analysis brought up the dilemma of how entrepreneurs can act when their initiative is compromised by the needs of a current, and in some cases, urgent situation and not to abandon the original idea. This issue can be partially addressed by using the dissatisfaction situation as a starting point rather than as a strict roadmap.

As mentioned before in this section and as stated by Rackham (1989), while talking to people, entrepreneurs can encounter people who actually had the faculty and mandate to support the initiative directly. This was shown in one project in specific. During this project, it was observed that the decision power person didn't hold a big title in the organization but had a big influence in the decisions of the company and a crucial role in the development of the entrepreneurial initiative. This is a clear example that in some cases the power is not related to the position in the organization. Entrepreneurs are encouraged at paying attention to face-to-face conversations, conversations among employees and employees behaviors to uncover the different roles of people, especially the role of power.

According to Rackham (1989), the relationship between the dissatisfaction and power people is that one person can hold both roles. This can be an advantage for the entrepreneur in adjusting the initiative according and get a faster approval. However, as shown in the findings, having the same person with both roles can distort the initial idea and lead the exact path to follow, therefore creating reluctance to move further. This brings back the dilemma of the dissatisfaction balance and worsen it by adding a person in a power position.

Finally, some projects experienced that when the dissatisfaction person wasn't the same as the power one, entrepreneurs could leverage the dissatisfaction situation by providing insights in other departments and lower levels, and thereby gaining more support among other people.

Leverage ambassadors

Leveraging ambassadors in this context has been performed in different manners. For example, ambassadors could provide knowledge and insights as well as helping getting through company structures and politics. The findings show that some of the projects have been able to leverage the ambassadors to greater extent than others. A common element in the cross-findings is that the idea needs to be communicated towards some kind of interest within the ambassadors to be able to leverage the ambassadors. The interest could be technical, utility, or business focused. This follows the reasoning of Shani et al (2009) and Cooper (2003) who claims that followers behaviors are related to the needs and the interests of the follower. This also follows the argument from Rock (2008) that the language needs to be adjusted to the specific situation and individuals.

In some cases, showing appreciation towards the person and respecting their knowledge and expertise could be seen as a way of giving back to the ambassadors. Cooper (2003) argues that integrating the needs of the followers and present the idea in terms of benefits, will create trust and commitment among followers. One benefit that has been evident in this study that can be utilized towards ambassadors, is having them believe that they might be able to steer the project towards something that would interest them. In trust building, findings also show that it is possible to build trust by asking for help, respecting and asking for the ambassador's knowledge. The knowledge provided by ambassadors could be used in meetings with other stakeholders. Although some ambassadors might not be willing to stand behind the idea fully, the entrepreneur could use the learnings provided and refer to a department rather than an individual when justifying their statements.

3.5 Conclusion

Collect information

As this study shows, one of the most important factors when obtaining ambassadors is to understand the context, the goal of the organization as well as the specific initiative. Learning this information could be done by reading official documents delivered by the company, by handling formal and informal meetings with employees from different departments, etc. The intention of this is to create a wider understanding of the different needs and objectives. Due to the level of importance of this information, a recommendation to future corporate entrepreneurs or anyone in a corporate setting looking to obtain ambassadors for their idea, is to collect this information as early as possible.

Find ambassador

As described in this study, finding ambassadors consists in mapping out different stakeholders that can help entrepreneurs to pursue their initiatives. There are three main roles; receptive, dissatisfied and power people. This work has shown that entrepreneurs leveraged on all of these people at some point and for different kind of situations, but something was especially true; if entrepreneurs can identify a dissatisfaction situation, they must leverage it and find a balance to adapt their idea without compromising the original objective. Additionally, the most important part in finding ambassadors is to networking. Networking could be done in several different ways, but one especially used method in this study has been to utilize the coffee machine area where there exist many possibilities to meet employees from different departments and levels. Entrepreneurs have many options to network, but the most important thing is to do it as early as possible. Doing this will also help to gain legitimacy by being perceived as part of the organization.

Leverage Ambassadors

As could be seen in this study, leveraging ambassadors required the adaptation of the message and language according to the ambassadors needs and interests. For this, entrepreneurs needed to understand what motivated the ambassadors. The needs of an ambassador could either be personal or business related, and it is important to identify what kind of need the ambassador have in order to address them. In some cases, it might be difficult to interpret what kind of need exists and the entrepreneur might have to ask follow-up questions to be able to unfold the needs. The contribution of each ambassador depends on the role of each one but one of the common finding was feedback about the idea when presenting to other stakeholders and in some cases a physical support when moving the idea further. One of the main entrepreneur's trait that contributed to gain trust, was to show appreciation and respect for the other person and the best way to influence the ambassadors was to present the idea in terms of a benefit for the ambassador. What is to be considered a benefit is naturally up to the ambassador to decide, but one possible argument that could be used is to sell a career to the ambassador. To do so, the entrepreneur have to frame their message and explain which kind of career possibilities it could provide for the person interested in supporting the entrepreneur.

Lastly, the three elements presented above don't have to be followed in a sequential way. In fact, there isn't a beginning and an end. Instead, is a continuous loop that aims at discovering, adapting, leveraging, adjusting and progressing. Figure 6.1 present a model that summarizes how entrepreneurs can obtain ambassadors.

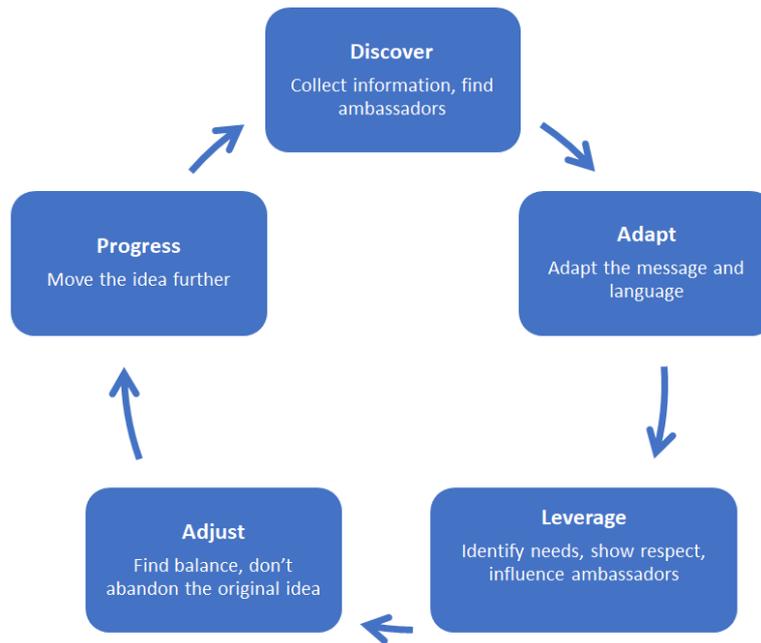


Figure 6.1 Model to obtain ambassadors

Important to consider

This study adds to the theory by presenting two different types of ambassadors, *active* and *passive*. A *passive ambassador* is someone that might help you in the process of selling your idea but only to a certain degree. The *passive ambassador* might for example not be willing to stand behind you when it's time to present your idea for the management, rather they are willing to let you use insights they have provided without, what they consider, risking their name or reputation. On the other hand, an *active ambassador* is someone willing to stand next to you in a critical situation and is also willing to spend their time on tasks assigned from you. While the process of obtaining these ambassadors is the same independent on which type of ambassador exists, the last step in the process of leveraging ambassadors might differ depending on which type of ambassador that is obtained. Therefore, understanding what type of ambassador you have obtained is crucial in order to leverage them in a way that they are willing to support. Wrongly handling the ambassadors, can put you in the risky situation of losing them.

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3.7 Appendices

Phase	Theory	Recommendation	Reference	Findings
Find ambassadors	Focus of receptivity	Find somebody that is interested in your idea or innovation and is ready to listen to you. Discuss your idea and ask for help to support it. Analyze outcome	Rackham (2009)	
	Dissatisfaction	Find the one experiencing dissatisfaction and need your idea or innovation. Propose your idea as a possible pathway and ask for help to move forward. Analyze outcome	Rackham (2009)	
	Power	Find the person/group with the authority to make decision and use your dissatisfaction insights in order to get a decision. Make use of your feedback from receptive and dissatisfied people. If needed, invite those people when presenting to the power group. Analyze outcome	Rackham (2009)	
Strategic alignment	Goals of the organization and top managers	Try to find out what the goals of the organization are, which will make it easier for you to work towards that goal	Kotter & Whitehead (2010)	
	Risk of failing if not working with innovation	Discuss future challenges/opportunities and what they are doing to manage them. Challenge them to have a plan or initial thought of how to manage the new challenges	Kotter & Whitehead (2010)	
	Success stories	Investigate success stories in other companies or Tech/Bio students in the Incubator. If necessary, organize a meeting with them to communicate these stories. Did something change after the meeting?	Kotter & Whitehead (2010)	
Needs understanding		Identify and write down the needs of your identified sponsors? (In	Shani et al. (2009)	

		<p>terms of job situation, expected outcomes, constraints and fears) How similar or different look those needs? Address those needs when you present your idea. Analyze outcome</p>		
Successfully leverage ambassadors	Focus of receptivity??	Get information from the focus receptivity. You need this person to ask them questions about where to go next, to who etc.	Rackham (2009)	

4 Finance

Alexander Gidebring and Julia Pohjanen

4.1 Introduction

Over the years corporate entrepreneurship has been advocated to help established firms improve their competitive advantage and increase their financial performance (Covin and Zahara, 1995). The authors states that these outcomes require risk taking, innovation and proactive competitive behavior. Related to what has been mentioned, risk taking could refer to managers investment decisions with the presence of uncertainty. The second aspect implies that market innovation could be achieved through both product and process innovation. The last aspect is strongly linked to an entrepreneurial culture that can help firms to embrace a proactively competitive behavior. (Zahara, 1991).

Firms taking on entrepreneurial activities are taking large risks to potentially get high rewards. By doing this, the company get the possibility to lead their industry with taking new products and services to market rather than follow its competitors' actions. Further, this lead to a proactive behavior of the firm instead of responding to the competitors. (Covin and Slevin, 1991) However, the effects of entrepreneurial initiatives in a corporate setting may not pay-off in short term but rather in the long run (Miller and Camp, 1985). Further, the authors say that it is difficult for managers to calculate the investment in such activities which is crucial to get the executive commitment needed. This report will deal with the different assessment criteria's, financial and non-financial, for firms to take on an entrepreneurial initiative. In this report some of the assessment tools most commonly used, according to literature, will be outlined.

4.1.1 Purpose

The purpose of this report is to identify which intrapreneurial initiatives the organizations execute and why. The study then aims to provide a recommendation of how to evaluate intrapreneurial projects in large corporations, based on literature and cross functional observations.

4.1.2 Research Question

Which intrapreneurial initiatives do the organization execute and why?

4.1.3 Scope

The literature review in this report will present a brief overview of the most common, according to literature, aspects used in assessing intrapreneurial initiatives in established firms.

4.2 Literature Review

A company's ability to generate growth and profits are essential to many shareholders. An important part to achieve these goals is to have control of expenses. Therefore, not all new initiatives within a firm can be realized and there is a need for screening new projects. Effective screening of New Product Development (NPD) correlates to project success according to Cooper (1994). Kuen and Suhaiza (2012) emphasizes the difficulties in achieving success in NPD, this in terms of projects overrunning on budget with less scope than first predicted. Managers of today are often facing situations of deciding whether or not to invest in different projects and it is a basic skill needed by managers (Granstrand, 2010). For managers to be able to make a good decision, the development project has to be aligned with the strategic business goals (Martinsuo et al, 2011). Financing of entrepreneurial initiatives are called entrepreneurial financing according to Granstrand (2010). These initiatives are facing a greater level of uncertainty, volatility and risk, which make up the biggest difference to general financing.

According to Davila and Wouters (2007) a corporate entrepreneur face multiple objectives due to ambiguities and uncertainties. These different objectives provide a demand of both financial and non-financial controls in intrapreneurial initiatives (Ylinen and Gullkvist, 2014).

4.2.1 Qualitative project assessment

Multi-criteria analysis

As companies are launching new projects in parallel, much attention has been directed to project portfolio management. Typically, projects within a portfolio are competing for scarce resources and are aimed to meet strategic business objectives. For a company to have a good project portfolio there is a need for choosing the right projects. The authors propose a way to classify projects in regards of value maximization, risk minimization and strategic alignment. Regarding value maximization a project can bring new skills, new knowledge or improvements to the organization regardless if it gets terminated or fully completed. In terms of risk minimization, the aim is to have a balanced project portfolio between low risk projects and high-risk projects. Lastly, strategic alignment refers to having a project portfolio supporting the company objectives. (Benaija and Kjiri, 2015). This could be seen as a multi-criteria analysis to put together a project portfolio to meet the company objectives. Even though the article of Benaija and Kjiri (2015) are emphasizing whole project portfolios it is still relevant to consider their proposed criteria to assess single projects.

A qualitative assessment can be used to identify and prioritize project risks. For example, this could be done through looking at probability and impact of a risk. Even though there are many techniques to evaluate risks, the outcome often tends to be an unstructured list. Therefore, project managers need some guidance to structure and understand the overall risk of a project to decide where to put in action. One way of dealing with this issue is to use a Risk Breakdown Structure (RBS), see Appendix 1, which provides a hierarchical structure of the risks. This tool can not only be used to identify and assess risks but it also provides the possibility to gain new insights through the different levels. (Hillson, 2002).

4.2.2 Quantitative project assessment

There are several different quantitative project assessment methods used today. Some of the most commonly used are described below.

NPV

The net present value (NPV) for a project is defined as the difference between the present value of the returns and the present value for all costs. It's a measurement commonly used when calculating the profitability for a potential future investment or project. When using NPV in an investment decision, the general standard is to follow the NPV rule. The rule implies that if the NPV for a project is positive, the project will be profitable. However, if the project generates a negative NPV, this indicate that the investment will generate a net loss (Berk and DeMarzo, 2013)

IRR

Another measurement used when calculating and analyzing different projects potential profitability is the internal rate of return (IRR). This rate is the discount rate needed for all NPV cash flows from a project equal to zero. It can be defined as average return earned by investing in the project opportunity. The general rule is to go for any investment where the IRR is higher than the cost of capital, and to turn down those projects where IRR is lower than the cost of capital for the opportunity. (Berk and DeMarzo, 2013)

Payback investment rule

A commonly used tool when deciding if to invest in a project or not is the payback investment rule. It implies that invests in the project only should be done if the cash flow of the project pays back the initial investment within a pre-specified period of time. to apply the method, one need to calculate the payback period. The general rule is then to accept the project if the project's payback time is shorter than the calculated payback period. (Berk and DeMarzo, 2013)

KPIs

Corporations often use a set of key performance indicators (KPIs) to measure performance progress over time. These indicators are often used in relation to operational and strategic targets, measuring how well these targets are fulfilled. They can also be used to compare and analyze financial aspects of the company, and is a viable tool for conducting a competitor analysis by comparing the company's KPIs to other relevant actors within the market. (Ax et al, 2009)

Capital budget method

To rank and analyze different projects within a company, a capital budget method can be used. It lists projects and other investments planned by the company. To create the list, the different projects are analyzed through the capital budget process. The process includes forecasts of future consequences of the investment, some will affect the costs of the company while some will affect the revenues. This is done in order to be able to determine the different potential investments effect on the cash flow of the company. (Berk and DeMarzo, 2013)

Affordable loss

The affordable loss approach is a principle outlined by Sarasvathy (2001). The essence of the approach is for decision makers to estimate what they are willing to risk and lose in order to pursue an idea. The approach is based on behavioral theory in terms of human reasoning. This, while the other methods explained earlier are grounded in neoclassical investment theory. When failures occur in cases where the affordable loss has been used, the losses are smaller than in cases where, for example, the NPV has been used. (Dew et.al., 2009)

4.2.3 Project management processes

A commonly used method for managing innovation processes of different kinds, is the stage-gate model presented by Cooper (1990). According to literature, this method is an efficient way to oversee and manage innovation process, due to the different gates. The innovation project must fulfil the requirements of each gate to be able to move on to the next phase. Working like this, the project manager can make sure that the innovation project fulfils all the set goals in the process (Tervalo et al. 2017) However, there are some disadvantages of using stage-gate models when working with innovation projects. for example, Sethi and Iqbal (2008) states that stage-gate models tend to reduce flexibility. Instead, the model increases the risk of coming rigid and could kill projects with large innovation height as well as hinder knowledge insights during the process.

4.3 Method

The context for this study has been four different intrapreneurial projects at four large corporations in Sweden. These projects have been managed by student teams, consisting of two students in each team. The students have been working full time in the projects for a year. This study is conducted in order to investigate and answer the research question. Second, the thesis aims to provide the participating companies a recommendation of how they can evaluate intrapreneurial projects in the future.

4.3.1 Data gathering

The study has taken on an action-based research approach, since this a suitable way to conduct these types of studies according to Bryman and Bell (2011). The data underlying the research and analysis is mainly of qualitative character, and has been collected by observations of the students during their project year. In situations where information has not been sufficient enough, informal interviews has been conducted with relevant stakeholders within the organizations. The different projects have been running for a year and therefore the observations have been scattered over time. However, since the students has been working from within the organization there is a risk that the interpretations of the observations are biased. The presented literature outline the base of how the data has been conducted for each project. The reason for having this structure is to be able to make a cross functional analysis of the four projects. The following table has been used to collect and structure the data gathered from the observations:

Criteria	Theory/Method	Recommendation	Reference
Non-financial	Meeting strategic objectives	How is your project meeting the strategic objectives of the organization?	Martinsuo et al, 2011
	Risk minimization	How are you mitigating financial risks associated to your project?	Benaija and Kjiri, 2015
	Value maximization	How can you maximize the value of your project in terms of ROI?	Benaija and Kjiri, 2015
	Screening projects	What made your project make the cut in the screening process?	Cooper (1994)
Financial	NPV	Is the method used, why? why not?	Berk and DeMarzo, 2013
	IRR	Is the method used, why? why not?	Berk and DeMarzo, 2013
	Payback time	Is the method used, why? why not?	Berk and DeMarzo, 2013
	KPIs	Is the method used, why? why not?	Ax et al, 2009
	Capital budget	Is the method used, why? why not?	Berk and DeMarzo, 2013

	Other method	Is there any other financial method used in your company, which one? why?	
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4.4 Findings and analysis

The methodology described in 3 *Method* was used in a workshop for four corporate entrepreneurial cases. All the cases were analyzed in a workshop and the result is described in section 2.4-2.6.

4.4.1 Meeting the strategic objectives of the organization

One key insight from the cross-functional study is that the CE can benefit from investigating how to align the project to the strategy. It becomes important to understand how much freedom, within the company, there is to interpret the strategy. Is the standard to follow it word by word, or is there freedom to interpret the strategy in a way that align with the project?

One action to accomplish this, is that the CEs can go to project managers, and try to understand how they work. By listening to how other projects tie to the strategic objectives, the CE can frame the project in a way that suits the company.

Networking and reading strategic documents

When working with innovation projects in large corporations, it become important to network and gather information to understand the context you are operating within. By asking questions, reading strategic documents and talk to people within the organization, the CE can access important information that can be used when working with the innovation project. An insight generated from this cross-functional study is that there are often benefits in framing the communication differently depending on which stakeholder being addressed.

Open vs closed interpretation of strategy

The pros of having a strategy open for interpretation is the freedom generated in terms of scoping the innovation project. However, if the project drift away too far from the strategy, it can be a challenge to tie it back to the core strategy further on in the process, resulting in less buy-in from important stakeholders. If there is less freedom in interpreting the strategy in the scoping phase, this can reduce flexibility and hinder creativity within the innovation project. A key insight from this study is that regardless of how well aligned the project is to the strategy, this is not enough to get buy-in. To drive the project forward, resources must be invested somehow.

4.4.2 Mitigating financial risks associated to innovation projects

Based on observations from the 4 different studies, it seems as though some companies are not used to measure in financial KPIs such as IRR, NPV etc. Rather, a lot of managers seems to work on “gut feeling” when investing in different types of projects. This could potentially be due to lack of knowledge and competence on how to use the traditional financial measurements. Therefore, it might be hard to use these types of measurements to mitigate risk, if the management team doesn’t understand or find these measurements important. This support the reasoning that it is important to understand how projects in general and innovation is handled in the company, in order to successfully communicate with internal stakeholders about the CE initiative.

Trust

The key to mitigate risks related to one's project, is by building trust. To make sure that the different stakeholders understand the problems the project aim to solve and to communicate in a logic way, is a good way of building this trust.

Start small and then scale

The projects have shown that one way to detect and mitigate risk related to innovation projects could be by starting small and then scaling. By thinking in terms of what you can test with what you have, you can highlight what will work, and what areas of the project that are connected to a higher risk. By iterated tests, one can gain a better understand of the different risks and address them properly. This can build trust for the project and enable the project to continue.

Identifying what you have and what you need

One other key factor is to identify other important aspects needed in innovation projects. For example, new competences, skills or similar factors could be needed. This is also important to consider when working with mitigating the risks. If the resources needed are identified, this could enable the project manager to take actions accordingly.

Financial stress test

Once the project has entered the exploiting phase, a financial stress test can be a useful way of investigating the impact of financial risks. However, findings conducted from the projects indicate that it is more efficient to use these types of calculations once the project has entered the exploiting phase to create substantial value. This due to the fact that many of the key parameters are unknown in the exploring phase, and therefore calculations of this type would not create substantial value.

By calculating on different “what if”-scenarios, one can get a better picture of how sensitive the project is in terms of key financial aspects. However, if possible, it is encouraged to make a high-level calculation as early as possible in the exploiting phase. This to avoid investing in projects that are not realistic from a financial perspective.

4.4.3 Maximize the value of your project

A key when defining the value of an innovation project, is to start by defining the values for different stakeholders and for the company. If the corporate entrepreneur is able to identify this, it can be used to communicate the project in different ways depending on which stakeholder that needs to be addressed. This can be done by asking questions along the value chain, talking to employees within different levels of the organization and by reading strategic documents.

By being open and communicate that value can be reached though different ways, the innovation project can provide different alternatives to capture the same value. When talking about value of innovation projects, it is also important to remember that the outcome of the project does not necessary need to be the thing generating value. Instead the value of a project could be new skills, knowledge or improvements to the organization during the work, which also has value for companies.

Making the cut in the screening process

One key insight from the study regarding screening processes, is the importance of not measuring innovation projects in the same way regular business is measured. This because early stage innovation projects are more long-term and therefore it could be hard to calculate “regular metrics”. If measuring innovation projects with the same KPIs as the company use for regular business, there is a risk of regular projects outcompeting the innovation projects in performance. This scenario could result in innovation projects not getting further investments and hinder the innovation to succeed within the company. One way of avoiding this could be to create own KPIs to the project, in order to measure progress and provide insights about the project. This can be done when building the business case.

Finance measurements

Based on observations collected from the different studies, it became obvious that the companies don't work with financial measurements such as NPV, payback time, IRR and similar when working with innovation projects. The main reason to this seems to be a lack of knowledge on how to use these types of figures. It can be counterproductive to use these calculations in the initial scoping phase, due to the projects immaturity. If calculations are requested in an initial scoping phase, the findings indicate that this could limit and hinder the creativity needed. Once the project has evolved, and the project manager has enough data to initiate a business case, these types of numbers can get the project through the stage gates in a company, enabling its survival. Therefore, it is important to know and understand these types of financial measurements when driving an innovation project. In order to build these figures, one must also know how to build numbers based on valid arguments. therefore, it is key to find and create these arguments. The findings indicate that some companies aren't used to creating and building solid arguments related to financial numbers. therefore, it could be valuable for the project manager to have or learn this skill. One way to build the arguments could be by understanding the value chain and the business of the company. By doing this, the project manager will have some foundation to build arguments suited for extracting numbers and doing calculations.

4.4.4 Budget

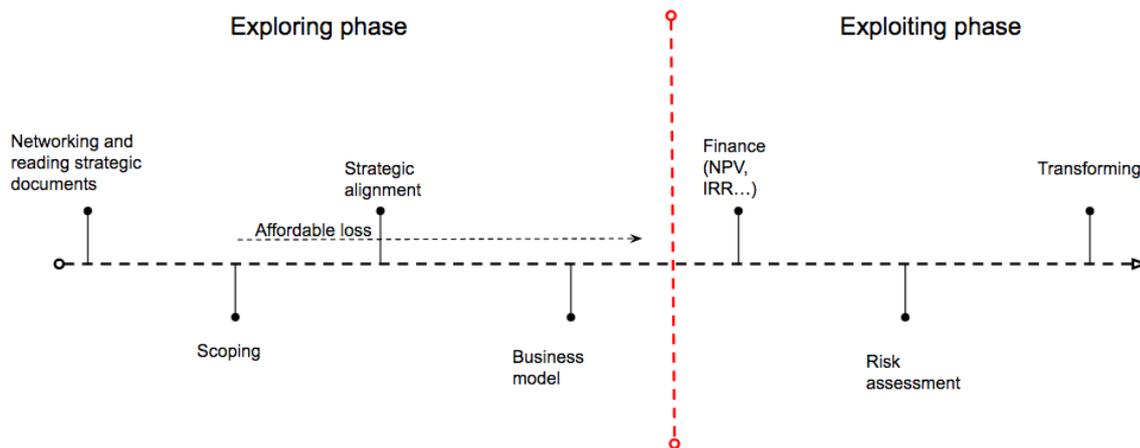
The findings indicate that if an innovation project has an allocated budget, this could be beneficial. this because the speed of the decisions can increase, and the project manager can save valuable time needed when working with innovation. It seems to be that most project needs to argue for having an allocated budget, and gets a budget granted based on the projects performance. However, based on the experiences collected during this study, it seems as though it could be more beneficial to allocate a small budget to an innovation project in advance. This refers back to the affordable loss principle by Sarasvathy (2001). If the company can be willing to promise a small amount of money early on in an innovation project, the findings indicate that the working speed of the project can increase, resulting in saving valuable time. Furthermore, based on observations it seems to be beneficial to have a budget allocated to the innovation project early on. If there is no budget, it becomes easy for deciding stakeholders to say no (or yes) in situations where resources are required to driving the project forward. To get an allocated budget also shows commitment from the company's side and enable room for the project manager to act fast in situations needed, by being able to take decisions themselves.

One con with having allocated budget to a project, is that the project owner doesn't have to argue and convince stakeholders to get resources as long as the budget exceed the resources

needed. Therefore, nobody will challenge the idea and important considerations might be overlooked. It could also result in unnecessary spending and could be beneficial for the project and the company.

4.5 Conclusion

As a result of the discussion above a finance model has been made to support future intrapreneurial initiatives. This model should be used as a timeline for how to approach a Corporate Entrepreneurship project from the arrival at the company. Most intrapreneurial projects start off in an *Exploring phase* with the aim to make the transformation into the *Exploiting phase*.



The first thing to do upon arrival at the targeted company is to read strategic documents and to network with employees within the organization. This to gain insights of company goals, employees individual goals and to understand the context you will be operating within. By doing this the Corporate Entrepreneur will be able to identify where value can be created in terms of their own project.

The next step, *Scoping*, refer to defining your idea in a manageable and realistic way. This is an important step since the success of the project will be measured on this. If the usual KPIs are not suitable for the project, this is the time to come up with your own measurement tools in order provide good insights regarding the progress of your project.

The third step, *Strategic alignment*, highlights the importance of having alignment between the project and the strategy of the company. It is evident that an alignment is a good prerequisite for attracting and getting resources later on in the project.

The last step in the *Exploring phase*, *Business model*, refer to the maturity level of the project. When the project has reached the stage where, for example, a Business Model Canvas can be outlined it has reached a maturity level where potential revenues and cost structures can be estimated. All the way from the *Scoping* to *Business model* it is encouraged to use the *Affordable loss* principle as a financial tool to prove results and gain insights how the projects is progressing. However, it may be needed to educate your surroundings about the principle due to it is relatively unknown in the corporate world. In order to make the step from the *Exploring phase* to the *Exploiting phase* there is a need to show a promising result and apply the commonly known financial methods such as NPV, IRR and Payback Time. These methods all require a future cash flow which has been prepared in an earlier stage.

Finally, by applying this guideline presented, a corporate entrepreneur will gain valuable insight about the company and its employees in order to identify where in the organization value can be created. Further, the guideline also emphasizes the importance of making the transformation

to the exploiting part of the organization through the means of the traditional financial measurement tools such as the IRR, NPV etc. In the meantime, corporate entrepreneurs are encouraged to apply the *Affordable loss* principle to overcome financial obstacles early on in the exploring phase.

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