

# LEVERAGING CORPORATE ENTREPRENUERSHIP TO BUILD A LONG LASTING BRAND

INSURANCE INSTITUTE OF ZIMBABWE WINTER SCHOOL

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By

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**Brand**Value

# PRESENTATION OUTLINE

- Introduction



# DID YOU KNOW?

- In 1998, Kodak had a 170 000 employees and sold 85% of all photo paper worldwide. Within just a few years, their business model disappeared and they went bankrupt. They did not see it coming!!
- Did you think in 1998 that 3 years later, you would never take pictures on film again?
- What happened to Kodak will happen in a lot of industries in the next 5-10 years ....and most people don't see it coming...
- It will now happen again, but much FASTER with AI, health, autonomous and electric cars, education, 3D printing, agriculture and jobs!!!



# HARD TO BELIEVE PREDICTIONS

- In the USA, young lawyers already do not get jobs. Because of IBM Watson, you can get legal advice within seconds with 90% accuracy compared with 70% accuracy when done by humans! So if you are studying law. Stop immediately. They will be 90% fewer lawyers in the future!
- Watson already helps nurses diagnosing cancer. It is 4 times more accurate than human nurses!
- Facebook now has a pattern recognition software that can recognize faces better than humans. In 2030, computers will become more intelligent than humans



# HARD TO BELIEVE PREDICTIONS CONTD..

- Autonomous cars : In 2018 the first self-driving cars are already here. In the next few years you won't want to own a car anymore as you will call a car with your phone, it will show up at your location and drive you to your destination .
- Tesla and its electric car- will render traditional car companies bankrupt.
- With autonomous driving, accidents will drop to 1 accident in 6 million miles
- Insurance companies will have massive trouble because without accidents the costs will become cheaper . Their car insurance business model will disappear





WELCOME TO TOMMORROW- It actually arrived a few years ago!

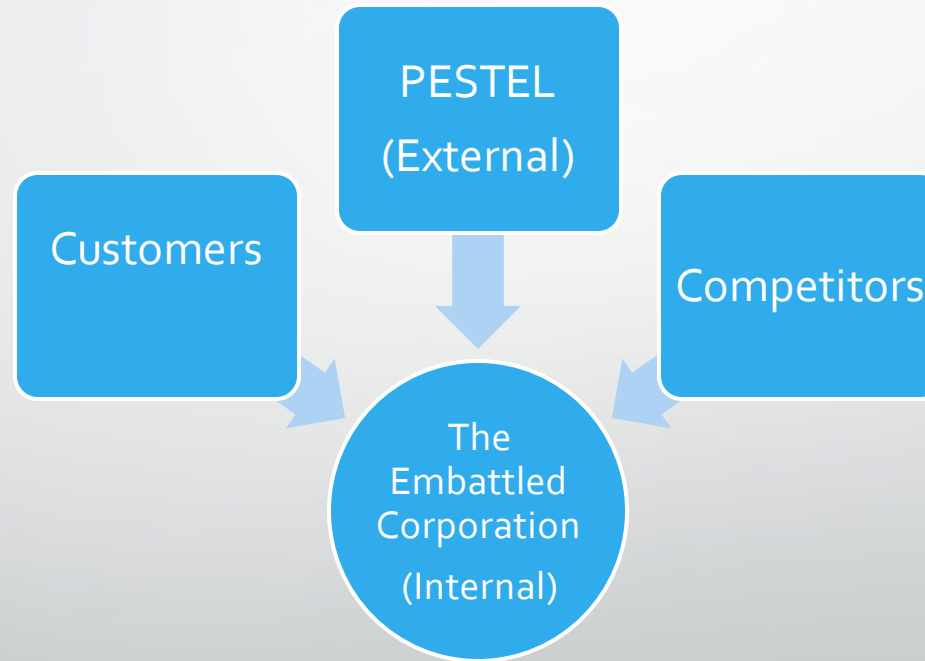


# INTRODUCTION

- Companies cannot be static- they must continually adjust, adapt and redefine themselves.
- The past quarter century has produced immense transformation in the functions, patterns and cycles of organizations.
- Therefore many conventional rules of business no longer apply.
- Fundamental assumptions about employees, products, resources, technologies and markets have been challenged and in some cases discarded altogether.



# THE EMBATTLED CORPORATION





# TURBULENT ENVIRONMENTS AND THE EMBATTLED CORPORATION

- The external environment today is all about change- with a greater pace and magnitude than before.
- It is the kind of change that threatens the survival of companies on a monthly- to –month basis
- And even the most dominant companies can be out of business in a blink of an eye



# MAJOR DOMAINS OF THE EXTERNAL ENVIRONMENT

- 1. **Technological Environment** – accelerated development of new technologies, rapid product obsolescence,
- 2. **Economic Environment**- unpredictability of prices, costs, exchange rates, interest rates, tax incentives, business cycles
- 3. **Competitive Environment**- aggressive competition, highly innovative competitors, competition from non-traditional sources with non-traditional tactics, competitors who are also customers or partners.



## DOMAINS CONTD...

- 4. **Labour Environment**- growing scarcity of skilled, employees more mobile and less loyal, higher employee benefit costs
- 5. **Resource Environment**- increasing resource scarcity,
- 6. **Customer Environment**- more demanding and complex customers, fragmented markets and more narrowly segmented, emphasis on investing in and capturing a customer's lifetime value
- 7. **Legal and Regulatory** – more aggressive regulation, environmental regulatory compliance costs, growing emphasis on free and fair trade, mandated employee benefits costs.



# DOMAINS CONTD..

**8.Global Environment-** real time communication, production and distribution virtually anywhere in the world, more sophisticated suppliers, customers, competitive advantage achieved through global outsourcing and international strategic alliances.

- As a result, the modern corporation finds itself embattled as it struggles to survive and achieve sustained growth.



# HOW SHOULD COMPANIES MANAGE THIS?

1.

- Define themselves as agents of change
- Create the future

2

- Leading customers instead of following them
- Continuous innovation

3

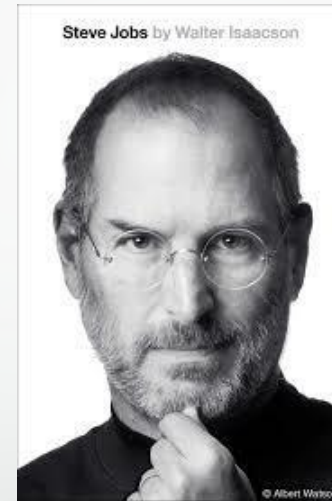
- Creating new markets
- Re-writing the rules of the competitive game

• **THESE CAPABILITIES ULTIMATELY COME DOWN TO ONE- ENTREPRENEURSHIP**





# ENTREPRENUERSHIP



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# WHAT IS ENTREPRENEURSHIP

- It is about creating organizations, change, innovation, and wealth
- It is a process of creating value by bringing together a unique combination of resources to exploit an opportunity



# PERSPECTIVES ON ENTREPRENEURSHIP

| Perspective            | Nature of Entrepreneurship   |
|------------------------|--|
| Creation of wealth     | Assuming the risk associated with production in exchange of profit                   |
| Creation of Enterprise | Founding of a new business venture where none existed before                         |
| Creation of Innovation | Unique combinations of resources that make existing methods obsolete                 |
| Creation of Change     | Adjusting, adapting, modifying approaches and skills to meet different opportunities |
| Creation of Jobs       | Employing, managing, and developing factors of production                            |
| Creation of Value      | Value for customers through exploiting opportunities                                 |
| Creation of Growth     | Strong and positive orientation towards growth                                       |



# MANAGEMENT VS ENTREPRENEURSHIP

## THE MANAGER

- \* planner
- \* strategist
- \* organizer
- \* director
- \* staffer
- \* motivator
- \* budgeter
- \* evaluator
- \* coordinator

## THE ENTREPRENEURIAL MANAGER

## THE ENTREPRENEUR

- \* visionary
- \* opportunity seeker
- \* creator
- \* innovator
- \* calculated risk taker
- \* resource leverager
- \* change agent
- Adaptive implementer  
of new ideas



# THE MANAGER

- Charged with efficient and effective utilization of resources under their control
- Tend to be focused on optimizing current operations





# THE ENTREPRENEUR

- Alternatively is pre-occupied not with what is, but what CAN BE
- Envision the future, recognize emerging patterns, identify untapped opportunities and come up with innovations to tap those opportunities
- Demonstrate creative capabilities in obtaining and leveraging resources
- Overcome obstacles
- Mitigate risks
- Persist in implementing new ideas that bring change



# ACHIEVING A BALANCE



# ACHIEVING BALANCE

- Achieving this balance suggests that managers must become entrepreneurs by optimizing current operations while at the same time making current operations obsolete.
- Conventional management has simply run its course and an entirely new model of management is needed



# CORPORATE ENTREPRENEURSHIP

- Is a term used to describe entrepreneurial behaviour inside established organizations
- It involves the generation, development and implementation of new ideas and behaviours by a company



# WHY CORPORATE ENTREPRENEURSHIP

- Quest for sustainable competitive advantage as traditional competitive advantage (cost leadership, high quality, better customer service) can now easily be matched by competitors
- There is a new thrust of entrepreneurship as a major force in business that has led to a desire for this type of activity inside enterprises
- Example of 3M
- It allows companies to tap the innovative talents of their own workers and managers





# DISPELLING MYTHS ON ENTREPRENEURSHIP



## Myth#1    *'Entrepreneurs are born not made'*

- Key traits associated with entrepreneurship include achievement, motivation, aggressiveness, initiative, drive, willingness to take risks, etc are heavily influenced by environmental conditions (family, work, peer groups, social).
- The challenge is to help people recognize and develop these characteristics within themselves



## Myth#2    ***'Entrepreneurs must be inventors'***

- While many inventors are entrepreneurs, there are numerous entrepreneurs who pursue all sorts of innovative activity beyond formal inventions and some who capitalize on the creative ideas of others.
- Example is Ray Kroc, who did not invent the fast food franchise but his innovative ideas made McDonald's the largest fast-food enterprise in the world.
- It takes many forms which include operating processes, the pricing approach, packaging, distribution methods or some other means of value creation.



## Myth # 3 *'All you need is luck to be an entrepreneur'*

- *'Luck happens when preparation meets opportunity'*
- Prepared entrepreneurs who seize the opportunity when it arises often appear to be 'lucky'
- There are in fact simply prepared to deal with situations and turn them into success.
- What appears to be luck really is **preparation, determination, desire, knowledge and innovativeness.**



## Myth# 4 'Entrepreneurs are extreme risk takers (Gamblers)'

- While it may appear that an entrepreneur is 'gambling' on a wild chance, the fact is that the entrepreneur is usually working on a moderate or calculated risk
- Most of the successful entrepreneurs work hard through planning and preparation to mitigate the risk involved.





## Myth #5 *'Entrepreneurs are academic and social misfits'*

- This has been blown out of proportion in an attempt to profile certain successful entrepreneurs .
- Historically, educational and social organizations did not recognize the entrepreneur as business education was aimed primarily at the study of corporate activity.
- Today's entrepreneur wears two hats, that of a **visionary change agent** and **effective manager**
- Today's entrepreneur is typically adept socially, economically and academically (No longer a misfit but now seen as professional)



## Myth# 6 *'Ignorance is bliss for entrepreneurs'*

- Careful planning not ignorance of it – is the mark of an accomplished entrepreneur
- Identifying strengths and weaknesses of a concept or venture, setting up clear timetables and contingencies for handling problems through careful strategy formulation are all key factors of successful entrepreneurship.



## Myth# 7 '*Entrepreneurship is Unstructured and Chaotic*'

- There is a tendency to think of entrepreneurs as gunslingers – as people who shoot from the hip and ask questions later
- The reality is that entrepreneurs are heavily involved in all facets of their ventures as they usually have a number of balls in the air at the same time.



# CORPORATE AND START-UP ENTREPRENEURSHIP- DIFFERENCES

| Start-Up   | Corporate Entrepreneurship                       |
|--|--|
| Entrepreneur takes the risk  | Company assumes the risks                        |
| Entrepreneur owns the concept or innovative idea                   | Company owns the concept and typically           |
| Entrepreneur owns all or much of the business                      | Entrepreneur may have no equity in the company   |
| Potential rewards for the entrepreneur are theoretically unlimited | Clear limits are placed on the financial rewards |
| One misstep can mean failure                                       | More room for errors-company can absorb failure  |
| Vulnerable to outside influence                                    | More insulated from outside influence            |
| Independence of the entrepreneur                                   | Interdependence of the Champion with many others |
| Flexibility in changing course, experimenting                      | Rules, procedures and bureaucracy hinder         |
| Speed of decision making   | Longer approval cycles                           |
| Little security  | Job security                                     |



# THE SIMILARITIES

- Both involve opportunity recognition and definition
- Both require a unique concept ( product, service or process)
- Both require balance of vision and managerial skill, proactiveness with patience
- Both find the entrepreneur encountering resistance and obstacles
- Both entail a window of opportunity within which the concept can be successfully capitalize upon
- Both entail risk and require risk management strategies



# WHERE TO FIND ENTREPRENEURSHIP WITHIN A COMPANY

- 1. **Traditional R & D**- 'leave it to the technical guys'
- 2. **Ad Hoc Venture Teams**- 'here is the concept, the budget and a deadline- go to it'
- 3. **New Venture Divisions or groups**- 'we want a factory for breakthrough concepts'
- 4. **Champions and the Mainstream**- 'its up to everyone including you'
- 5. **Acquisitions**- 'buy growth and get products, markets, and technologies of others'





# WHERE TO FIND ENTREPRENEURSHIP WITHIN A COMPANY

- 6. **Outsourcing**- 'lets have someone else develop it, and we will make the money
- 7. **Hybrid Forms**- 'mix and match the other approaches to fit our context'



# CHARACTERISTICS OF AN ENTREPRENEURIAL ORGANIZATION

- **Innovativeness**- to what extent does the organization emphasize on concepts or activities that represent a departure from what is currently available.
- Is the company doing things that are novel, unique or different?
- Is the company introducing new or improved products/service
- Is the company finding new and better ways to accomplish tasks e.g. innovative production techniques, distribution approaches, selling methods, administrative systems etc



# INNOVATIVENESS CONTD...

Other dimensions:

- Having CEO's who are involved in fostering innovation
- Defining innovation as critical to long term success
- Demonstrating openness to outside ideas
- Having formal programmes for idea generation and problem solving
- Placing strong emphasis on cross functional communications
- Encouraging employees to talk to customers
- Creating budgets allocated exclusively to innovation and rewarding



# RISK TAKING

- To what extent is the company willing to pursue opportunities that have a reasonable likelihood of producing losses or significant performance discrepancies?
- The emphasis in corporate entrepreneurship is not on extreme, uncontrollable risks but instead on moderate and calculated risk

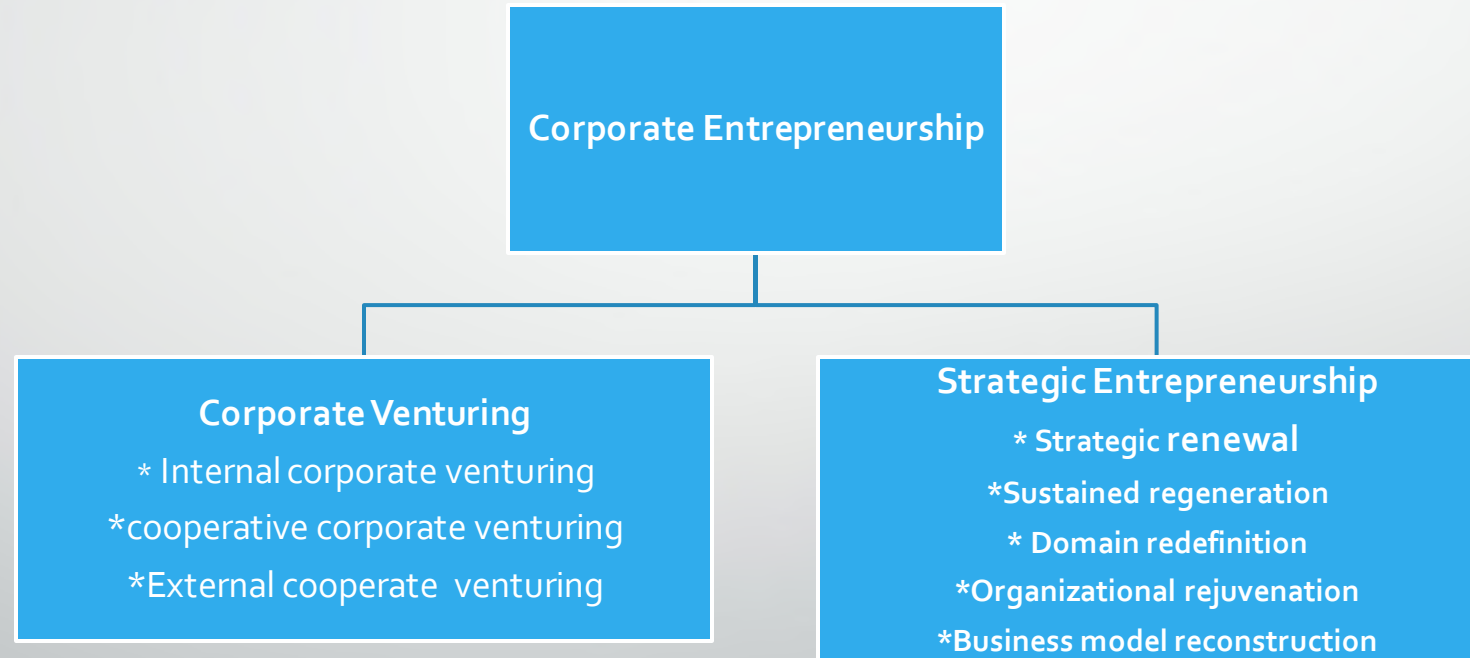


# PROACTIVENESS

- To what extent does the company implement, take responsibility , and do whatever is necessary to bring an entrepreneurial concept to fruition
- To what extent does the company tolerate failure
- Is the company seeking new opportunities that may or not be related to the present line of operations
- Is the company introducing new products and brands ahead of competition
- Is the company strategically eliminating operations that are in the mature stages of the life cycle



# FORMS OF CORPORATE ENTREPRENEURSHIP





# CORPORATE VENTURING-NEW BUSINESS

- Corporate venturing include various methods for creating, adding to, or investing in new business
- Internal corporate venturing- new businesses are created and owned by the company
- Cooperative corporate venturing- entrepreneurial activity in which new business created and owned by the company together with one or more external partners
- External corporate venturing- entrepreneurial activity in which new business is created by parties outside the company and subsequently invested in.



# STRATEGIC ENTREPRENEURSHIP

| Form of SE                    | Focus                              | The Event   |
|-------------------------------|------------------------------------|---|
| Strategic Renewal             | Strategy of the firm               | Adoption of a new strategy  |
| Sustained Regeneration        | Products or markets                | New products into a pre-existing product category or existing product into an new pre-existing market |
| Domain redefinition           | New competitive space              | Creation of new product categories or market space  |
| Organizational Rejuvenation   | Structure, processes, capabilities | Improving strategy implementation   |
| Business Model Reconstruction | Business model of the firm         | New business model  |



# FORCES AGAINST CORPORATE ENTREPRENEURSHIP

- **SYSTEMS**- misdirected reward and evaluation systems, oppressive control systems, inflexible budgeting systems, arbitrary cost allocation systems, overly rigid formal planning systems.
- **STRUCTURES**-too many hierarchical levels, overly narrow span of control, responsibility with no authority, top-down management, restricted communication channels, lack of accountability for innovation and change.
- **STRATEGIC DIRECTION**- absence of innovation goals, no formal strategy for entrepreneurship, no vision from the top, lack of commitment from senior executives, no entrepreneurial role model at the top



# FORCES CONTD...

- **POLICIES AND PROCEDURES**- long complex approval cycles, extensive red tape and documentation requirements, unrealistic performance criteria
- **PEOPLE**- fear of failure, resistance to change, turf protection, short term orientation, inappropriate skills and talents for managing entrepreneurial change
- **CULTURE**- ill- defined values, values that conflict with innovativeness, risk taking and pro-activeness.





# HOW DO WE OVERCOME THESE FORCES

- 1. **Building Social Capital**- need to build influence and trust through sharing information, creating opportunities for people to demonstrate their skills and competence, and building an using influence networks.
- 2. **Gaining Legitimacy**- use personal influence or influence networks to somehow secure endorsements that will convince the necessary supporters of the idea's viability and credibility. Achieve small successes with your ideas.
- 3. **Political Tactics**- appeal to some common authority, rule evading tactics, rely on friendships, use persuasion, etc.





THANK  
YOU