Key Question: How to increase a company’s tolerance for failure?

1. What affects a company’s tolerance for failure?
   - Market change
   - Corporate culture
   - Capitalization
   - Past efforts

2. Build positive corporate culture by (1) facilitate intrapreneurship in organizations; (2) increase tolerance/navigation for entrepreneurship

(1) Facilitate intrapreneurship in organizations
   - What managerial & organizational support is required to foster intrapreneurship in organizations?
     *Menzel, Aaltio & Ulijn, On the way to creativity: engineers as intrapreneurs in organizations, 2007*
     o Physical environment
     o Organizational structure
     o Top management support
     o Presence of key stakeholders
     o Availability of resources
   - How to facilitate intrapreneurial & innovative activities?
     *Alpkan, Bulut, Gunday, Ulusoy & Kilic, Organizational support for intrapreneurship and its interaction with human capital to enhance innovative performance, 2010*
     o Organizational support: management support on idea development, tolerance for risk taking have stronger effects on innovative performance
     o Human capital
     o In the short-term, focus either on enforcing organizational support or improving human capital

Role of compensation

*Martiarena, What’s so entrepreneurial about intrapreneurs? 2011*

- The likelihood of individuals participating in intrapreneurial activities increases when higher profit-sharing terms are introduced and that variable bonuses based on return on investment are the preferred compensation schemes among venture manager.

*Balkin, Logan, Reward policies that support entrepreneurship*

- Pay level policy: cash available to pay for employees' salaries and benefits is at a minimum in an entrepreneurship
Pay mix policy: significant portion of an employee's total potential earnings risk in the form of pay incentives; Education benefits and health and recreation facilities; profit sharing and stock ownership

Pay structure policy: the all-salaried pay system and the market-priced pay structure

Pay raises policy: Lump sum salary increase

(2) Increase tolerance/navigation for entrepreneurship

Where is this idea from?
Subramanian, The economics of intrapreneurial innovation, 2005

Intrapreneurship is a potential source of rent on account of complementarities between the basic asset and the “downstream” asset

In Industries where the degree of complementarity between new innovations and the firm’s main activities is greater will have a greater level of intrapreneurial activity

Identify & promote intrapreneurial behaviors & activities

Capabilities building that lead to entrepreneurship activities
West, Balancing intrapreneurial innovation vs. entrepreneurial spinoffs during periods of technological ferment, 2007 (Linkabit Case)
- Technological proficiency
- Support for creativity
- Entrepreneurial Orientation

What factors relate to intrapreneurship & entrepreneurship intentions?
Douglas & Fitzsimmons, Intrapreneurial intentions versus entrepreneurial intentions: distinct constructs with different antecedents, 2012
- Intrapreneurship intentions: self-efficacy, attitude to risk (negative)
- Entrepreneurship intentions: self-efficacy, attitudes to income, ownership, autonomy
- Implications: self-efficacy (strong belief & confidence to successfully accomplish tasks, measured by entrepreneurial self-efficacy scale, 22 items, developed by Chen et al. 1998, page 123) is a prerequisite; how to foster intrapreneurship while preventing entrepreneurship intentions? Income, ownership, autonomy

Effective transition from intrapreneurship to entrepreneurship

Readiness
Kacperczyk, Opportunity Structures in Established Firms: Entrepreneurship versus Intrapreneurship in Mutual Funds, 2012
- Status
- Size – large & mature companies: more venture opportunities inside; but willingness & skills may discourage them from seeking entrepreneurship opportunities
- Performance

Business
• Connections of core business
• Foster each other’s reputation & legitimation

- Human Resources: hiring, development
  
  West, *Balancing intrapreneurial innovation vs. entrepreneurial spinoffs during periods of technological ferment, 2007 (Linkabit Case)*
  
  • Employee attachment
  • Shared procedures & social structures
  • Knowledge & practice

- **Role of Compensation**

3. Optimize capitalization – corporate venturing (from internal to external)

*Examples: Alphabet, GE capital, the Skunk Works (Lockheed Martin's Advanced Development Programs)*
