Uncertainty - Entrepreneurship in Large Organizations
Corporate Entrepreneurship –
Basic Schools of Thought

- Corporate Venturing – create and manage new separate entities (JV’s, Acquisitions, Spin-offs)
- Intrapreneurship – encouraging individual entrepreneurial action
- Bringing the Market Inside – market approach within the company for resource and people allocation
- Entrepreneurial Transformation – organization-wide system, structure and culture change.
Continuum of Predictability

Known

All things are known and certain

Many things are known and certain; some are analytically predictable

Few things are known and certain; some are certainly impossible

Unpredictable

INNOVATION
What would rational thinking and behavior look like in the face of unknowability?

You either sit, plan and think. or you can do something…

But, you can’t think your way into an unknowable future.

Therefore, the only logical thing is to **ACT**.

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**How to Act ** **Smartly?**

Where are you?
Do you want something else?

What do you have at hand?
Anyone who can help/rescue?

Small steps. On firm ground.

Take stock & learn.
Build off what you actually find.
How to Act Smartly?

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Build off what you actually find
Prof. Saras Sarasvathy studied 30 “expert” entrepreneurs who had started multiple enterprises ranging from $200 Million to $6.5 Billion.

Mental Models and thinking explain entrepreneur’s unconventional behavior.
Act quickly with means at hand
Act Learn Build is based on current reality: who you know, what you know and anything else relevant

Pay only what you can afford to and want to – Acceptable Loss
- Money & time
- Reputation (professional & personal)
- Opportunity cost

Bring others along
- Tangible sales and other assets
- Other borrowed or bartered resources
- Intangible assets (ambassadors, reputational capital) through enrollment

Sufficient to get started (Passion isn’t required at the outset nor is vision.)

Fully formed vision, robust plan

Build on what you find
- Surprises are often good. Make them an asset
- Befriend reality
- With each action, reality changes
- Use when the future cannot be predicted from the past. Contrasts and complements Prediction
- Favors what is real and confirmable. Smart action trumps analysis
- For the same set of business problems, entrepreneurs applied it 89% where mid-level managers favored Prediction 80%
Where does Entrepreneurial Thought and Action (Act Learn build) Excel?

Entrepreneurs inside large organizations use the same logic of thought and action as New Venture Entrepreneurs.

**Opportunities are largely found**
- Known

**Opportunities are largely made**
- Unknown

Entrepreneurs “play” everywhere along the spectrum but are particularly comfortable and often have preference for this end.

**Why?**
- No competition
- Expensive Prediction tools are not required
- They like to create opportunities

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If the objective was to scale up…

- What sort of structures and cultures would you deliberately put in place?
- What structures and culture naturally evolve?
- What behaviors (individual and organizational) would you want it to produce? Stamp out?
Google Maps, GPS Universe

You’re never lost
You always know the optimal thing to do
Success Recipe for the Known

- What are the complementary principles and rules for Known/Predictable situations?
Process for predictable settings

1. Precisely how big is the opportunity or problem?
2. What are the various ways of achieving the result?
3. What are the required resources and their costs?
4. Select the optimal path.
5. Run the financials – DCF or NPV. Risk adjust it, if required
6. Obtain necessary approval(s).
7. Assemble the required resources and start.
8. Execute the approved plan, and, if required, get back on track.
- Inductive and deductive logic
- Mathematical and analytic methods
- Rules of thumb
- Core logic of virtually all educational settings
- Core logic of large organizations
- Works great when the future can be extrapolated
Organization Design and Architecture

THE “HARD STUFF”

- Systems
  e.g. product supply, information processing, people development, etc.

- Structures
  e.g. Hierarchy, network, Matrix, Ad Hoc, Hybrid… Flexible ↔ Rigid?

- Policies and Procedures
  e.g. formal rules, methods, how decisions get made, etc.

- Incentives and Sanctions
  what and who do you promote?

THE “SOFT STUFF”

- Culture

- Mental Models and Tacit Assumptions

- The Unwritten Rules of the Game

- Politics

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Organization Design and Architecture in a **Predictable** Environment

- Systems
- Structures
- Policies and Procedures
- Incentives and Sanctions
- Culture, mental models, Unwritten Rules
- Politics

If the objective was *to scale up*...

- What sort of structures and cultures would you deliberately put in place?
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ALB in the Contemporary Large Organization

- How friendly is the contemporary large organization to the rules of the Unknown (ALB)?
- What happens in your organization when projects with significant uncertainty encounter the prevailing structures, systems, policies, incentives, culture and politics?
- Why?
Large Organizations are largely toxic to ALB.

Everything about them is designed to generate predictable performance.

- Planning and executing according to plan (vs. building on what you find) is expected (and rewarded.)

Market premium for smooth earnings. Anything that creates variance is uprooted or engineered out.

Individual desire is largely irrelevant. This leads to serious challenges, some of which we will address later.
- You need both
- ALB includes some Prediction
- You often start with ALB and transition to Prediction
- You employ them reflexively, like a second language or ambidexterity
- Consider using ALB even in predictable situations
  - Derails the habit of prediction
  - Action might be equally reliable, cheaper and faster
  - Action changes reality, predicting doesn’t