

# Strategic Research and Development Management

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Lecture 10: Organisational innovativeness and idea creation

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# Motivations

- Deciding what your motivations are will direct you toward what type of business fits you best.
- Types:
  1. Lifestyle Venture
  2. Smaller Profit Venture
  3. High Growth Venture

# 1. Lifestyle Venture

- Small company that provides its owner independence, autonomy, and control.
- Is often run out of household
- Provides flexibility (hours, meeting places, attire)
- Aligns your personal interests and hobbies with your desire to make a profit.

## 2. Smaller Profit Venture

- Small company not concentrated on pushing the envelope and growing inordinately large.
- Making millions of dollars not important.
- Content with making a decent living.
- Ex. Mom and Pop Stores

# 3. High Growth Ventures

- Goal is maximum profit and growth.
- Concentrated on pushing envelope and growing as large as possible.
- Focus on innovation

# Start or Buy?

- Start – cheapest, but very difficult
  - requires most planning/research
- Buy – expensive – may be out or reach
  - requires less planning and research
- Franchise (middle ground) – a business run by an individual (the franchisee) to whom a franchiser grants the right to market a certain good or service.

# The Market???

- Planning & Research essential
- Extensive market surveys (family, friends, neighbors...)
- Magazines and Polls offer some information on the market
  - Businessweek, Harris Poll

# What about the cost?

- Plan realistically, not optimistically
  - Don't overestimate your profits
  - Don't underestimate your costs
- Sources of Funds
  - Banks
  - Venture Capitalists – filthy rich, high risk investors looking for a many-times-over yield
  - Angels – seem to have altruistic motives and less stringent demands than venture capitalists



# Domestic or Global?

- Drawbacks to Global – more research and less accessible connections in startup phase, more travel time required, more considerations.
- Advantages to Global – more human resources, more demand, more financing, easier to start global than go from domestic to global.

# Entrepreneurship: Growth Pressures

Entrepreneurs often find that as their business **grows**, they feel more pressure to use **formal** methods to lead their organizations.

Although this **formalization** process may compromise some entrepreneurs spirit, it often leads to more **focus, organization**, and greater **financial returns**.

Basically, it's a movement from a “seat-of-the-pants” operation to a more structured, legitimate and recognizable business.

# Entrepreneurship: Growth Pressures

Entrepreneurial and Formal Organizations differ in six business dimensions:

- Strategic orientation
- Commitment to opportunity
- Commitment to resources
- Control of resources
- Management structure
- Compensation policy

# Entrepreneurship: Growth Pressures

<b>Business Dimension</b>	<b>Entrepreneurial Organization</b>	<b>Formal Organization</b>
Strategic orientation	Seeks opportunity	Controls resources
Commitment to opportunity	Revolutionary Short duration	Evolutionary Long duration
Commitment to resources (capital, people, and equipment)	Lack of stable needs and resource bases	Systematic planning systems
Control of resources	Lack of commitment to permanent ventures	Power, status, financial rewards for maintaining status quo
Management Structure	Flat Many informal networks	Clearly defined authority and responsibility
Compensation policy	Unlimited; based on team's accomplishments	Short-term driven; limited by investors

# Entrepreneurship: Managing a Family Business

## **FAMILY FEUD:**

Severed relationships	Divorce	Poor business performance	Low morale, motivation
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