

FAILING TO LEARN FROM FAILURE: AN EXPLORATORY STUDY OF CORPORATE ENTREPRENEURSHIP OUTCOMES

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ABSTRACT

Firms that are able to react and respond to today's dynamic environment through market, process and product innovations—also called Corporate Entrepreneurship (CE)—are better able to gain and sustain a competitive advantage. In fact, business strategy can be described as a firm's "theory of competitive advantage" or a set of hypotheses about the firm's competencies and their relationship to external factors. This implies that CE initiatives can be thought of as "tests" of the firm's strategic "theory-in-use." Thus an innovation that is aligned with a firm's strategy and is successful confirms the existing strategy; an unsuccessful innovation indicates a change in strategy may be needed. In this paper we examine 54 new product development projects and assessed whether they were successful, whether they aligned with the business strategy, and whether the strategy was subsequently modified. We found that successful projects aligned with strategy did indeed confirm the strategy, but unsuccessful projects resulted in strategy modifications only 38% of the time. The lack of strategy modification when projects are unsuccessful indicates that firms are not learning as much as they might from their failures.

INTRODUCTION

In today's dynamic environment, static firms are not likely to endure. Rather, companies must adapt to their environments' varying conditions, react to their competitors' actions, and respond to their customers' changing requirements. To be successful, organizations must find ways "to redefine or rejuvenate themselves, their positions within markets and industries, or the competitive arenas in which they compete" (Covin & Miles, 1999). Based on their particular situations, some firms favor sustained regeneration, which "support and encourage a continuous stream of new product introductions in current markets as well as entries with existing products into new markets" (Dess, Ireland, Zahra, Floyd, Janney and Lane, 2003: 354), while others engage in strategic renewal, in which "the firm is seeking to change how it competes" (Dess, et al. 2003: 355).

In the academic literature, these activities are generally aggregated under the terms intrapreneurship or, more recently, corporate entrepreneurship. Corporate entrepreneurship (CE), has been defined as the “formal and informal activities aimed at creating new business in established companies through product and process innovations and market developments...with the unifying objective of improving a company’s competitive position and financial performance” (Zahra, 1991: 262). Research has found that CE initiatives can materially improve an existing organization’s agility and are positively associated with financial performance (Zahra, 1991). Although these corporate entrepreneurship initiatives can “bubble-up” in informal, emergent manner from anywhere in the organization (Burgelman, 1983, Mintzberg & Waters, 1985), this study focused on the formal or deliberate entrepreneurial activities undertaken by existing firms to update or even radically change their strategy.

The underlying assumption of deliberate corporate entrepreneurship is that organization members—typically top managers—can accurately assess or predict what strategic changes are required by external events such as a new competitor entering its market space or the creation of a new technology. Importantly, deliberate CE also presumes that managers can accurately assess the implications of the outcomes that resulted from internal actions like successful implementation of a new process or the failed launch of a new product. Presumably, success would imply that the firm was on the right track, while failure would indicate a problem or issue.

Indeed, as Floyd and Lane (2000: 154) noted, “top management often must internalize, as part of the organizational knowledge base, information and initiatives that diverge from its view of strategy and must use these to shape new competencies.” Thus, from this perspective, negative information—what doesn’t work—is just as important to a dynamic concept of a firm’s strategy as positive information—what does work. Negative information would imply a need to review an organization’s assumptions or those “hypotheses” that form the basis for its strategy.

STRATEGIC MEANS AND ENDS

Indeed, some researchers have viewed strategy as a “theory-in-use,” in that it is a “framework for critically understanding phenomena” and forms “a basis for considering how what is unknown might be organized” (Silverman, 2001: 4). It is comprised of “statement[s] of relationships between units observed or approximated in the empirical world” (Bacharach, 1989: 496), such that it “establishes the substantive meaning of constructs, variables and their linkages” (Bacharach, 1989: 501). By specifying a strategy, organization members are, in a way, constructing hypotheses as to what are the most appropriate ends for the organization given its environment, and which means will get them to the desired ends. Implied in the strategy is that reaching the specified ends using the right means will result in an overall successful outcome for the firm.

In the traditional, rational, top-down strategic planning model, top managers and their staff use formal planning tools to analyze data regarding internal resources and capabilities, external markets,

technologies, competitors and other environmental conditions. The results of these analyses are then used to determine the vision or “meaning” of the organization: why does the firm exist and how will it perpetuate itself? From this meaning, top managers derive an explicit, comprehensive, strategic plan, including specific “strategic ends,” typically described by mission, goals, and objective statements (Brews & Hunt, 1999).

After top management disseminates the strategic ends, middle managers use the formal strategic ends as a mandate to drive the “strategic means.” They determine what activities and initiatives will enable the firm to attain the desired outcomes. In the rational strategic planning model, middle managers analyze the firm’s current ways of producing value for customers (e.g., processes and products) and any initiatives already underway. The current portfolio is compared to the desired one, and strategic gaps between the two are identified. Additional project ideas are then generated to address these issues. The intent is to construct a specific, well-balanced portfolio of initiatives that will address the firm’s strategic ends within the context of available resources and capabilities (Baker, Green & Bean, 1986; Cooper, Edgett & Kleinschmidt, 1997).

Middle management’s next step is to implement the plan through context management activities such as delegating decision-making authority (McDonough, 1986), structuring development activities (Olson, Walker & Ruekert, 1995), and allocating resources (e.g., Henderson & Cockburn, 1994; Ramanjam & Mensch, 1985). The latter activity is especially important, since the “allocation of resources to some [initiatives], and the denial of resources to others, is a key event or decision in the implementation of strategy” (Christensen & Bower, 1996: 215). Once again, there is an implicit assumption that the middle managers’ portfolio and context management activities will lead to the appropriate strategic means, described as “the patterns of action which marshal/allocate organizational resources into postures that, once implemented, increase the probability of attaining organizational ends” (Brews & Hunt, 1999: 891).

Finally, the activities necessary to turn the planned CE into reality are typically performed by team members that represent the different functional backgrounds within the firm—such as research and development (R&D), marketing, sales, finance, engineering and other technical specialists—either sequentially or, preferably, in cross-functional teams (Brown & Eisenhardt, 1995). In some firms, the team is given an explicit contract or project charter with “deliverables,” such as a launch date, a project budget and specific product attributes. Often formal tools, like project management techniques and Gantt charts, are used to plan project implementation, and are then subsequently used to track the team’s progress.

At the project level, the link to strategy is mainly implicit, although at periodic points during the project, it may be formally assessed for its strategic fit. For example, Cooper et al. (1997) describe “strategic checks,” which incorporate strategic criteria into initiative go/no-go decisions as a method that keeps projects aligned with the strategic plan. Thus team members will interpret the outcomes’ implication for strategic means, but most likely from a functional or activity perspective. Team

members also have implicit assumptions; they assume that their implementation decisions—also a form of strategic means—will lead to the success of the resulting product or process.

Thus at the conclusion of an initiative, according to this “theory-in-use” view of strategy, organization members will assess its outcome—typically in terms of success or failure. Then they assess what that particular outcome implies for the validity of their assumptions regarding the firm’s strategy. Successful projects that are considered aligned with the firm’s existing strategy will affirm that the current strategy’s means and ends are valid. Failed projects that are aligned with existing strategy, on the other hand, will raise the question that the current strategic goals or objectives (i.e., ends) might not fit with either the firm’s environmental conditions or internal capabilities or that the firm’s means of attaining these goals is flawed.

Hypothesis 1a: When CE initiatives are perceived as aligned and successful, organization members will interpret that as a confirmation of the firm’s strategy, and there will be no need for change.

Hypothesis 1b: When CE initiatives are perceived aligned but unsuccessful, organization members will interpret that as invalidating the firm’s strategy, which will indicate a need for change to the firm’s strategic means and/or ends.

The reverse situation is expected when the project is deemed unaligned with strategy. In that case, if a project is successful, yet unaligned with the existing strategy, this is a clear signal that the strategy must be adjusted to accommodate the new initiative. If a project is unaligned with strategy and is also unsuccessful, this will serve as confirmation that the strategy is appropriate and needs no adjustment.

Hypothesis 2a: When CE initiatives are perceived as unaligned yet successful, organization members will interpret that as invalidating the firm’s strategy, which will indicate a need for change to the firm’s strategic means and/or ends.

Hypothesis 2b: When CE initiatives are perceived as unaligned and unsuccessful, organization members will interpret that as a confirmation of the firm’s strategy, and there will be no need for change.

To review, in an analogous manner to experimental results and hypotheses, corporate entrepreneurship outcomes are implicitly considered “tests” of the firm’s “theory-in-use” commonly

known as strategy. If the “test” is deemed accurate—i.e., the product is considered aligned with strategy—then a good outcome supports the strategy and a negative outcome refutes the strategy. The converse holds true when the outcome is not considered reflective of the intended strategy. The next section reviews how these hypotheses were tested, and describes the results. Finally, the limitations of this exploratory study are outlined, conclusions are drawn and suggestions for future research are made.

METHODS

As noted above, intrapreneurship or corporate entrepreneurship is composed of many activities including market, product and process development. To sharpen its focus, however, this research study investigated a subset of these CE initiatives, namely product development projects. This unit of analysis was selected for several reasons. First, most significant product development projects include elements of market and process development—like new manufacturing techniques, innovative distribution channels and equity-building marketing activities such as promotion and advertising. Second, new product development was a core competency for the firms that participated in the study; these companies are each known for their abilities in this arena. Finally, the firms had formal new product development processes in place, which made identifying deliberate entrepreneurial activities and the people involved in them easier to identify and track.

Over one-hundred interviews were conducted at multiple organizational levels—top, middle and project—within five strategic business units (SBUs) of a well-known consumer products company. To maintain confidentiality, these divisions are referred to here as Alpha, Beta, Gamma, Delta and Epsilon. The corporation that owned the SBUs was formed via a series of acquisitions over many decades; therefore, each unit had a different founder, a unique history and culture, and was run somewhat independently from corporate oversight. The firms used overlapping, but in some cases, quite different distribution channels and addressed different target markets. The manufacturing technologies they used ranged from traditional assembly line to batch manufacturing to continuous processing. So, despite their common corporate parent, these five operating companies varied significantly on a number of key organizational dimensions.

The pool of interviewees was also fairly diverse. For various reasons, not all respondents were asked or answered all the questions, so only ninety-two (92) of the interviews could be included in this particular analysis. Of these participants, twenty-two (22) were from Alpha, seventeen (17) came from Beta, eighteen (18) worked for Gamma, seventeen (17) were from Delta, and eighteen (18) were members of the Epsilon organization. Twenty-three (23) senior managers are represented in the sample, as well as twenty-five (25) middle managers, and forty-four (44) team members. The distribution of functional specialties in the sample is as follows: four (4) division presidents (i.e., general managers), thirty-four (34) worked in marketing, twenty-seven (27) were product developers or engineers, six (6) were in the sales department, sixteen (16) represented operations or logistics, and, finally, five (5) individuals were from finance.

The respondents were asked to discuss a completed initiative that they had worked on (the new product development project had to be completed so that the outcomes were known). These projects ranged in complexity from simple product improvements—sustained strategy regeneration—to radical new products that created new technologies and addressed new market segments—strategic renewal. Twenty-seven (27) of the projects were perceived to be successful and an equal number were judged unsuccessful; thirty-seven (37) projects were assessed as aligned with strategy when they ended, while seventeen (17) were deemed unaligned. Most projects had one respondent, but eighteen (18) of the initiatives had two or more.

The interviewees were asked to assess if the project was aligned with strategy when it was completed. They were also asked if the project was successful or not. Finally, they were asked if the project they were discussing impacted the firm's business strategy going forward (see APPENDIX 1 for interview excerpts). Therefore, the data represent the respondents' retrospective perceptions of the corporate entrepreneurship initiatives with which they had been involved.

RESULTS

The respondents' answers were coded by a trained, but independent research assistant who was not aware of the purpose of the study, nor the specific hypotheses to be tested. In particular, three factors were coded: did the respondent indicate that the project successful (yes-or-no), did the respondent judge that the project aligned with strategy when it was launched (yes-or-no), and did the respondent perceive that the project's outcome influenced strategy going forward (yes-or-no). All of the data are perceptual in nature, but, the success and failure assessments were corroborated where possible by documentary evidence (e.g., financial statements, continued market presence, business plans). In the rare cases where multiple respondents for a project disagreed, the majority opinion was used in the data analysis. In the extremely rare cases where there was a tie, the senior organizational member's perspective was used, since in these fairly hierarchical firms, top managers were considered "closer" to the strategy.

Hypothesis	# responses	% supporting
H1a (aligned + success = confirmation)	43	72%
H1b (aligned + failure = modification)	13	38%
H2a (unaligned + success = modification)	0	n/a
H2b (unaligned + failure = confirmation)	37	51%

As Table 1, above, indicates, simple descriptive statistics were used to explore the data in relation to the hypotheses presented above. Given the exploratory nature of the study and the

retrospective, perceptual nature of the data, this approach was deemed the most appropriate. A sophisticated analysis using cutting-edge statistical techniques would not be warranted. The results are discussed the sections that follow.

HYPOTHESIS 1A

Not surprisingly, and in support of Hypothesis 1a, which proposed that aligned and successful CE initiatives will confirm strategy, most organization members did not indicate that strategy had changed when the initiative was considered aligned with business strategy and its outcome was considered a success. In seventy-two percent (72%) of those cases, respondents indicated the project had simply confirmed that the strategy was “on track.” For example, a senior marketing manager of Beta company noted: “[the project] just reinforced what we did going in” (Interview 037) and a mid-level Marketing manager from Epsilon noted, “the strategy was pretty clear...it was the place to go for growth. It made sense since we already had a [large] share of the market in [product x]. So we’d still approach the strategy the same way” (Interview 051). This supports the concept of business strategy as being a “theory of competitive advantage,” where the projects are analogous to experiments run to test the validity of implicit hypotheses underlying that theory.

A majority of the 28% who indicated the project did influence strategy (and were therefore coded as not supporting the hypothesis) spoke of the changes as enhancing current strategic means and ends, rather than materially changing or redirecting them. Organization members spoke of changing the weightings of future investments, broadening their perception of the product category, being more focused on process issues, and being more open to similar ideas. For instance, the president of Beta noted: “Yes. [The project] has [changed strategy]. I’m going to be more...willing to look at growth initiatives in categories and businesses that might not seem appropriate. But a good idea, well executed, leveraging a core competence can really make a difference even in categories where you can’t naturally compete well” (Interview 043).

To summarize, in general, product development related corporate entrepreneurship initiatives that were considered successful and were perceived as aligned with strategy, are consistent with the implicit theories underlying current strategy. In other words, aligned, successful projects appeared to confirm strategic ends and means in the minds of organization members. Therefore, Hypothesis 1a is supported.

HYPOTHESIS 1B

Thirteen (13) interviews satisfied the conditions for hypothesis 1b—the project was considered aligned with strategy yet failed. However, respondents in eight of these cases or seventy-two percent (72%) indicated that strategy did not change as a result. Of those interviewees that made clarifying comments, most indicated that they still felt that the strategy was correct, like this quote from an Epsilon

team member representing Operations: “It makes sense; it’s the right thing to do” (Interview 111). In another example, a marketing team member from Beta said, “I’d say that the business strategy employed was the right strategy; the thinking that led up to it was the right approach” (Interview 047).

Only five or thirty-eight percent (38%) of the respondents indicated that the strategy was modified as a result of their focal project’s outcomes. In fact, of those respondents that did indicate that the strategy changed, and made clarifying comments, all of them focused on the changes to the *means* of strategy not the ends. Senior managers tended to highlight mistakes made regarding portfolio issues (a part of implementation or means), such as this comment by a senior sales executive from Alpha: “What we did was, we put so many resources against this concept, we threw so many advertising dollars and people resources against this project, that we reduced emphasis on other areas” (Interview 067). Team members also focused on modifications to the strategic means, rather than strategic ends, like this comment by a product developer from Beta: “Here’s another product...that sounds good in concept, and we’re going to spend a bunch of money bringing out because everyone thinks it’s a great idea. But, let’s be careful with how we bring it out” (Interview 099).

Thus, overall, Hypothesis 1b is not supported. Thinking of strategy as a “theory of competitive advantage,” would imply that a failure would cast the strategy—either the means or ends or both—in doubt. However, it seems that this occurs only for a small minority of organization members. Even then, the failure of an aligned project only persuaded organization members that a modification of strategic means was called for. It rarely caused them to examine strategic ends. Thus, at least in the eyes of these respondents, strategic ends are entrenched and only some of the strategic means are amenable to change. Of course, given that the sample size is quite small—only thirteen projects—this conclusion can only be considered preliminary.

HYPOTHESIS 2A

Unfortunately, none of the interviews in the usable sample met the requirements necessary to test Hypothesis 2a. In other words, no interviewees discussed a project that was considered unaligned with strategy yet was also considered successful. Therefore, no conclusions can be drawn regarding this particular hypothesis, except perhaps that there may be some assumption on the part of organization members that successful projects must somehow be aligned with strategy, otherwise they would not have been successful. This, of course, is pure conjecture, but would be a very interesting topic for a future study.

HYPOTHESIS 2B

Thirty-seven (37) interviews in the data set met the conditions necessary to test this hypothesis—respondents in these cases spoke of unaligned projects that they considered unsuccessful. Here, however, the data are inconclusive. Nineteen, or roughly half (51%), of these interviewees

reported that the strategy changed after the initiative's failure, as was predicted by the hypothesis, but a significant minority (eighteen or 49%) of the interviewees responded to the contrary in regards to their particular projects.

Therefore, projects that are perceived as unaligned seem to send ambiguous messages to organization members. Given the equivocal "design" of the product development "experiment," organization members cannot be sure if the lack of alignment is due to poor strategic ends, improperly implemented strategic means, or both, or even some other extraneous factor. Unlike real experiments, firms rarely if ever have control groups or control factors in their strategic experiments, thus it can be very difficult, if not impossible, to determine causality.

Given that causality is difficult to determine, we further analyzed the data. We wanted to see if those respondents who indicated that strategy changed as result of the failed initiative, focused more on the strategic means or the strategic ends. Strategic means are more immediate and more concrete than strategic ends, so would seem to be more salient. Indeed, of the nineteen (19) respondents that perceived a change in strategy after the failure—i.e., supported the hypothesis, fifteen (15) or seventy-nine percent (79%) reported subsequent changes in the firm's strategic means. For example, a senior finance executive from Alpha, noted: "We came back and course-corrected. Not our desire to have new products [in this area—i.e., the ends], but what's the right mix of those new products from close in line extensions to new trademarks and to new technology [i.e., the means]" (Interview 042). Of the three (3) senior managers in this subset—arguably those who would be closest to the strategic ends—two (2) indicated that the means had been modified, and only one indicated the ends had changed. Given senior management's alleged focus on strategic ends, this finding, while it cannot claim to be significant, is interesting.

As noted above, however, a significant minority of the data did not support Hypothesis 2b. Eighteen (18) respondents in this category, in which initiatives were considered unaligned and unsuccessful, indicated that neither the strategic ends nor means changed due to these disappointing outcomes. Given the unexpected findings, we did the same finer-grained means/ends analysis of the available data (unfortunately, eight respondents did not elaborate on their assessments). We also assessed if the participant's location in the organizational hierarchy had any correlation with the responses.

Of those that did explain their conclusions, six (6) indicated that the strategic means were the reason the product was unsuccessful, and four (4) indicated that the strategic ends were to blame. One might reasonably suspect that the means versus ends explanation stemmed from the interviewees' particular hierarchical perspective: as noted above, senior managers typically focus on strategic ends, while middle managers and team members focus on the means of attaining these goals. However, a closer inspection of the data does not reveal a hierarchical pattern to the responses as might be predicted by the top-down processes used in these firms (see Table 2 below).

Hierarchical Level	Means	Ends	Total
Senior	2	0	2
Middle	2	2	4
Team	2	4	4
Total	6	4	10

Thus, the data, even when viewed from a more fine-grained perspective, are equivocal. Given the small numbers of respondents, especially within each category, it is difficult to draw definitive conclusions or even surface possible explanations for the anomalies. Therefore, Hypothesis 2b is not supported.

DISCUSSION

Overall, there was mixed support for the hypotheses. Despite the widely held analogy of strategy as a “theory-in-use” or as a “theory of competitive advantage” and product development related-CE initiatives as “tests” of the underlying relationships outlined in that theory, the data only supported the supposition that aligned projects that were successful were generally viewed as confirming existing strategic means and ends. The other hypotheses were not supported.

Given these surprising results we explored two additional, alternative explanations for what we observed. The results of this supplemental analysis are reported below. We speculated that the results might be (1) due to poor strategy specification on the part of the operating companies or (2) due to extreme stability in the industry, which would have a dampening effect on any attempts to modify existing strategy.

First, the surprising results might occur if the firms were not very good at specifying strategic ends and means. If the overall strategy was vague, organization members might have difficulty assessing the meaning of CE initiative outcomes. To assess this, we examined the strategic plans of all five strategic business units. The documentary evidence indicated that these five strategic business units have strong means and ends specificity, which is defined as having “many ends...developed for [the] firm and formally documented in the strategy formation process, including a statement of firm mission/purpose, and specification of strategic objectives/goals for different areas of the firm” (Brews & Hunt, 1999: 909). In the operating companies’ business plans, the ends are clearly defined and labeled as strategic objectives, such as “deliver solid financial performance through organic [i.e., internal] growth” (Document 012: 4).

Likewise, the strategic means were also explicitly defined. “The firm has a carefully developed, comprehensive strategic plan, detailing on a step-by-step basis a number of specific actions and programs the firm is implementing, or will implement in order to achieve its objectives, and thus

accomplish its ends” (Brews & Hunt, 1999: 911). In these companies, for example, in the strategic plans, the ends were diagrammatically connected, through several levels, to specific initiatives like “address quality issues” and “leverage package innovation” (Document 012: 7).

The explicit means and ends were widely disseminated through out the divisions using several methods. The means and ends were communicated in person (e.g., managers explained the strategy to subordinates face-to-face; presidents held town hall meetings; strategy was discussed at CE initiative status meetings). Lower-level organization members also attended “strategy training” workshops. In addition, hard copies of the written strategic plans were distributed to all company employees at the level of manager and above.

Therefore, we conclude that the strategic means and ends in these operating companies were fairly well specified. In addition, the strategic means and ends were widely dissemination throughout the organizations. Given these conclusions, a lack of such specificity does not seem to be a reasonable explanation for the unexpected patterns in the data.

Second, another possible explanation for the findings may stem from the strength of industry forces. Brews and Hunt (1999: 906), after analyzing their data, concluded that, “in the case of ends, as environmental instability grows so does flexibility.” Thus, if the environment was extremely stable, changes in means or ends—i.e., strategic flexibility—would be difficult to attain: too many environmental forces would be in place to reinforce current practices.

An independent analysis of the firms’ environments (not cited here to protect the firms’ and the respondents’ confidentiality) revealed that the companies were operating in what is called “mature/unstable” environments. Their industries had been fairly stable in the past, but were now facing new entrants, mergers and acquisitions, intense industry rationalization, significant increases in customer power, and major technological changes, all destabilizing forces (Brews & Hunt, 1999: 894). Therefore it is unlikely that these industry factors have served as a “drag” on the rate of strategic change in these strategic business units.

Given that these two possible alternative explanations of the surprising findings are not likely, future research should investigate other possible causes. The data used in this study were retrospective and perceptual. Longitudinal studies that combine both subjective and objective data would help eliminate the possibility that the unexpected findings were due to respondent biases, halo effects and other “noise” in the data. In addition, conducting studies in non-consumer products companies (e.g., firms in high-technology, capital intensive or services industries) would improve the generalizability of the results. Finally, controlling for other factors, such as internal communication flows, project post-audits, and political agendas may shed additional light on this important topic.

IMPLICATIONS

When formulating strategic plans, managers rely on assumptions and “theories in use” regarding the relationship between means and ends. Having specific ends and means gives these managers a

frame of reference with which to interpret or make sense of the results. In other words, managers can use the plan to make sense of the environmental clues they receive from various new product development initiatives. Thus, instead of simply “implementing” strategic plans, entrepreneurial firms should be focused on “testing” both strategic ends and means. This shift is more than semantics; if one simply implements a plan, a failure automatically implies that the implementation was faulty. However, if one focuses on testing the plan, failure must then be interpreted as a call to find the source of the problem: was it the wrong ends, the wrong means, or the wrong relationship between the two?

These findings have significant implications for corporate entrepreneurship. It is a widely held assumption that investing in entrepreneurial activities enables firms to modify their strategies in response to environmental changes, competitive threats or changes in customer needs. This implies that the results from these initiatives are seamlessly integrated into a continually evolving theory of the firm’s competitive advantage. However, the findings presented here are more in line with the concept of core rigidities (Leonard-Barton, 1992), especially since it does not appear that industry stability is constraining the potential for strategic change. In these firms, many past projects were aligned and successful, which reinforced the validity of the organization’s prevailing strategy. When contrary evidence invalidates the firm’s strategy, however, those years of supporting evidence may form an ingrained “wisdom” that is quite difficult to overcome.

Few would argue, given today’s dynamic environment, against the notion that firms must continually update and improve their competitive advantages; and to do so they must continually update, renew and rejuvenate their strategy. This study indicates, however, that this process is quite difficult. Corporate entrepreneurship requires that people think beyond current conditions. It means that the firm’s current strategy must serve as a springboard to future competencies, not as a straightjacket binding firms to its current activities, products and processes. Only a conscientious effort to fully integrate the learning that stems from corporate entrepreneurship initiative outcomes, both successes and failures, will fully enable this process.

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APPENDIX 1A Interview Excerpts Initiatives Perceived as Aligned Successes (Hypothesis 1a)			
Interview #	<i>Did what was learned from this project influence strategy going forward?</i>	<i>Strategy Changed?</i>	<i>Focus of Comments</i>
066	No, from the standpoint of pointing to something that worked and again getting those lessons learned as to what worked and what didn't work. I think it just broadened our depth of understanding.	no	means
029	Probably not because [this product] was one where [the president] just said point blank, we're going to do this thing. She had a gut feeling. We fast tracked it, and we had we spent probably 50% more resources on the project then we really needed.	no	means
037	...it just reinforced what we did going in.	no	means
024	We said you know what? We've got a brand that is growing faster than [the competitor] does right now. So I think if nothing else it was a huge confidence builder for us. You don't need tons of money for advertising, but here's a case where it's a great product. We all got behind it and the consumer as the judge says you guys are doing the right thing. Not only do we think we can be the leaders in [this market segment], but now we are.	no	ends
117	Just again, in the fact that they would consider [products like this one].	no	means
116	No. Again, to be quite honest, I don't see the strategy changing for years. And the other piece that you do from a strategy -- from an advertising standpoint is you write a positioning statement. The positioning statement we've written is also evolutionary, so that it doesn't have to change, either, over time.	no	ends
046	No.	no	nd
048	No. No. The only thing that could happen with business strategy is [this objective] could get more integrated. It's interesting, because again, I read all the plans, two years ago I never saw the word customer, and I never saw the word [distribution] channel. You read a plan today and it's all over the plans. So that's been an impact.	no	ends
041	It's possible that if we waited and over analyzed, we would have lost an opportunity in the market. So sometimes you just have to strike, now. This is a clear example of strike, get the thing out there, get a success, and then we'll worry about margin improvement later. And the learnings here are: I think it's more important to establish the business, and then worry about having opportunities to fix it later.	no	means
073	No	no	nd
055	I don't think so. And this just fits; it supports that strategy of the new product category.	no	ends
090	No.	no	nd
105	I don't know. Probably not. I think through every project I'm hoping that the [marketing] team and senior management learn from what that project did as far as from start to finish and how it's doing on shelf.	no	means
081	No.	no	nd
051	No, because I think the strategy was pretty clear. Like I said, it was set a while back, and it was the place to go for growth. It made sense since we already had a [large] share of the market in [product x]. So I think we'd still approach the strategy the same way.	no	ends

APPENDIX 1A Interview Excerpts Initiatives Perceived as Aligned Successes (Hypothesis 1a)			
<i>Interview #</i>	<i>Did what was learned from this project influence strategy going forward?</i>	<i>Strategy Changed?</i>	<i>Focus of Comments</i>
063	I don't think so. The process for business strategies, I would say in all cases, is pretty strong: cross-functional leaders from each area, meeting regularly, going through business strategies, and resource allocations. It's a pretty good process for setting those strategies. So I don't think that this new opportunity would change that.	no	means
085	I wouldn't think this would.	no	nd
087	No.	no	nd
045	You would hope that you realize that all brands need to have some type of focus. But I don't know if it truly will affect it.	no	means
021	Not really, but I think actually this particular project was a good example of how business strategy has changed over the past couple years in terms of doing things much more or planning much more proactively.	no	means
100	No	no	nd
115	No. No. Sorry.	no	nd
102	It's not going to because every brand has its own marketing people and they do their best that they can do so they can get promoted and everything else. That became like hey, listen, I want to do something with [product x], let's do this. I don't think it would affect that.	no	means
103	No. I don't think so. I think it fit well within the strategy. It delivered what it was supposed to deliver. So the problem was more the execution. The strategy was sound.	no	means
120	No. It's pretty much been the same, very directed for the last five years.	no	ends
059	No. Because [the competitor] came out to the marketplace, so it almost became more of a defensive posture: get another new product out there to dominate the shelf. So it was less of a extending the line, as much as it was protecting the shelf.	no	means
027	I think we achieved what we were supposed to according to the business strategy of growing our [product] presence, or our category.	no	ends
061	I don't think so. I don't see it having an impact. Just being more open to alliances, trying to build value for our customers. To me it just reinforces that. The way in which you deliver that value might change a little bit. But that essential component of the strategy remains unchanged.	no	means
083	No. I think, once again, probably a little bit to the extent that have a better understanding as far as what type of opportunity we're talking about.	no	means
084	No.	no	nd
072	I think more often than not because of the rushed pace, we just tend to fall back into the same old patterns.	no	means
043	Yes. I think it has. I'm going to be more...willing to look at growth initiatives in categories and businesses that might not seem appropriate. But a good idea, well executed, leveraging a core competence can really make a difference even in categories where you can't naturally compete well.	yes	means

APPENDIX 1A Interview Excerpts Initiatives Perceived as Aligned Successes (Hypothesis 1a)			
Interview #	Did what was learned from this project influence strategy going forward?	Strategy Changed?	Focus of Comments
054	Yes, I think it is a wonderful case study in following the business strategy. And the business strategy was maintain [one area], grow [another area]. Pretty simple. The weighting may have changed a little bit. We're probably more, today, spending more money on [the growth area], because it's a bigger part of our business than we did previously. But that's, the fine tuning that goes on, as we get that marketplace, that dynamism that we talked about earlier, from the marketplace feedback coming back to us.	yes	ends
036	It allows you to think more broadly in your strategies, and then if you start, as you said, if you start standing for [a product category] then what can you do next, as opposed to if you stand for [a product type] you can do something different. So, it can broaden your possibilities.	yes	ends
070	I think one of the things we've talked about coming out of this is that we need to work more closely with [Alpha] on setting volumes and living with those volumes. And we're undergoing a similar challenge right now in [project y], another very hot product. And so that's an on-going challenge, versus how do you accurately forecast with really hot high-demand products?	yes	means
074	Yeah. I think it will. As [middle] managers sit down to plan for their [projects], that they consider the fact that once again, the potential for this [product line] to gain more exposure extends beyond just the traditional [distribution channels].	yes	means
069	It's much easier [now] to get a project [approved] if you [as the customer] and I together have said, you know, this is what you're going to buy, and you'd like it and we like it, and we can do it. [The customers] have driven the business in a way that when you go to them we're asking, what do you want? More of a partner relationship and not so much, this is all we have.	yes	means
013	Traditionally the, the [product] group had, for the last fifty years, just did me-too little introductions of new things. There wasn't anything that was truly breakthrough. I don't think that anybody thought there was anything break-through to go after. I think that by doing this and being successful that it opened the doors to try do a lot of other new products using technologies that we don't use. So I think it helped with making some of the strategies a little more blue-sky that what they would have done in the past.	yes	ends
065	The only thing is it really added the importance of [manufacturing] trials, and things like that. Operationally, it raised the awareness of that is an area that when you're doing something like this, outside of your norm, that you really need to pay specific attention to. So I don't think it changes it as much as it kind of adds the fact that you really need to be focused there.	yes	means
039	Only as far as where the pendulum is. When you come off a successful project, then everything is euphoric and you're expecting more successes. If you come off of some less than stellar introduction, then the pendulum may swing the other way and you're more concerned about risk.	yes	means

APPENDIX 1A Interview Excerpts Initiatives Perceived as Aligned Successes (Hypothesis 1a)			
Interview #	Did what was learned from this project influence strategy going forward?	Strategy Changed?	Focus of Comments
093	Yeah, I think lessons learned from here--like testing the product with the concept--is going to be taken, at least by the group of people involved in this, to heart for the next couple of years... Everybody is now realizing the importance of having a strategy, and getting more people involved the first time.	yes	means
079	We need to look at it from a capital perspective. If there are dollars out there and we're going to stay in the [x] business, maybe we need to look at becoming more contained and more buttoned up in how we do the application.	yes	means
076	For [this product line], I think it will. Yeah. They saw it was something that worked well.	yes	means

APPENDIX 1B Interview Excerpts Initiatives Perceived as Aligned Failures (Hypothesis 1b)			
<i>Interview #</i>	<i>Did what was learned from this project influence strategy going forward?</i>	<i>Strategy Changed?</i>	<i>Focus of Comments</i>
067	Only to the extent that we are clear on what products actually deliver against the strategy, because what we did was, we put so many resources against this concept, we threw so many advertising dollars and people resources against this project, that we reduced emphasis on other areas. So we essentially violated some of the principles of our strategies, because those other areas were important to the strategy, because we threw all our eggs here.	yes	means
044	Yes, but I'm not sure this project will [modify our objectives] as much as having someone taking an overview look at how we're incorporating the product development into an integrated [products] company. When things were done on a business by business basis, we tend not to look at things across the businesses so it's not this project as much as this project may be the result of, as opposed to a precursor to, a change in how we think about business strategy.	yes	means
099	To some degree. We spent a lot of time talking about that, what did we learn? I mean, here's another product that's coming on that sounds good in concept, and we're going to spend a bunch of money bringing out because everyone thinks it's a great idea. But, let's be careful with how we bring it out. If you get a real winner out there down the road and you want to put it [a different format], go out and spend another \$x and get that for you, but let's see if the stuff sells first for this amount of money.	yes	means
097	I think the way the structure is nowadays, there's more focus on the individual businesses. People have ownership. I guess about all I can say is between what happened then and how it operates now is...people are aware of the new product process. There was a lot of shooting from the hip [x years] years ago.	yes	means
075	I think back to the upfront stuff. You know, assessing whether it really is an opportunity. Because you know what? Maybe we could have focused on, we thought this was a big opportunity and in the end it wasn't, and maybe there was another thing that we could have focused on that was bigger. And maybe that wasn't a new product; maybe that was just spending time on your core business and promoting that was a better use of time and money.	yes	means
060	No. I don't think it changed the strategy.	no	nd
057	Probably not. Each brand has their own way of doing things. Actually, it's more appropriate to say that each vice president responsible for those brands has a different way of doing things. And that's been part of the problem and part of the challenges with these brands. We get new VPs every year. And every year, business strategy changes, and how we implement them change. So no. It's going to change with the executive management [not due to project learning]..	no	means
114	No.	no	nd
108	I don't think so.	no	nd

APPENDIX 1B Interview Excerpts Initiatives Perceived as Aligned Failures (Hypothesis 1b)			
<i>Interview #</i>	<i>Did what was learned from this project influence strategy going forward?</i>	<i>Strategy Changed?</i>	<i>Focus of Comments</i>
047	No. I'd say that the business strategy employed was the right strategy, the thinking that led up to it was the right approach. If anything, it's probably one of our examples, that looked at the business strategy portion, as well as any process in how to do something right.	no	ends
062	No.	no	?
095	Not much. They follow their procedures and the procedures work well.	no	means
111	Again, it makes sense, it's the right thing to do. You need to support [the project] financially, [with] promotions and such. But also, don't neglect your base business, which is probably why some of this is being discontinued now, because the base business is neglected. So create your growth and new products, but also not miss the fact that you have people buying [the base product], you can't forget that.	no	means

APPENDIX 2B Interview Excerpts Initiatives Perceived as Unaligned Failures (Hypothesis 2b)			
<i>Interview #</i>	<i>Did what was learned from this project influence strategy going forward?</i>	<i>Strategy Changed?</i>	<i>Focus of Comments</i>
042	Yeah, it did. Actually, we came back and course corrected. Not our desire to have new products, but what's the right mix of those new products from close in line extensions to new, to new trademarks and to new technology.	yes	means
033	Each failure makes you gun shy. Frankly, the fact that it didn't work and we walked from it so quickly now leaves us without a strategy in the business, which is a major hole, both in the new product plan, but even more importantly in the business strategy, because if not that, I'm not sure what we're going to do in that segment.	yes	ends
017	Not necessarily only as a result of [this project], but in part, are kind of rethinking our whole [category] strategy, which is not to say that we don't want to play, but we're rethinking how we're going to play, how is it appropriate for us to play? What kind of products are we going to go after or not go after?	yes	means
026	Hopefully it will help us be more outwardly focused than inwardly focused, because it all started from, well we have a marketplace gap, it had nothing to do with does the consumer care if there's another [product like this]. It's easy to try and pick off and say well, we don't have a share of this segment so let's go after it.	yes	ends
096	Yeah, I would say setting priorities in the right way. In other words, don't set a priority in the absence of other opportunities or priorities. And I think that's where this one, if it were held up to the standard of how it would compete against other concepts, if we had them, it might not have been number one priority.	yes	means
058	I don't know. Sometimes, I think we're not as rigorous as we could be. I mean, I do hear people saying, oh, we don't want to make that mistake again. If it's another [product x], we can't do that. It's a [product x]. Don't go there. But I think there is still more opportunity.	yes	means
077	Again, I think that they'll be mindful to say: We don't want to do another [product x]. There is an opportunity in the [Gamma] business to develop a strategy around how you go to market. Do you grab a [distribution channel "c"] national opportunity...or do you go after more the steady [distribution channel "d"] volume. And/or do a balance of the two. And we addressed all that in conversations with [project x]. We bid on [a distribution channel "c" customer]; they went with [a competitor] instead and we said: Oh, we'll just do this instead.	yes	means
092	It has to have some impact. I'm guessing somebody higher up knows why it didn't do well. So, [strategy] has to change...in resource allocation if it's not doing well, or move our resources elsewhere.	yes	means
050	If you try to put [this project] into the [product x] mold, it doesn't fit. Because to get into a [different format], you're just you're going further away from what you know. And some of the challenges that we ran into will have an impact on how [Epsilon] develops its strategy. But I don't think it will have, because it's got to be different and you have to go somewhere different with that business. So it will impact that, but I don't think it will change the overall [strategy].	yes	means

APPENDIX 2B Interview Excerpts Initiatives Perceived as Unaligned Failures (Hypothesis 2b)			
<i>Interview #</i>	<i>Did what was learned from this project influence strategy going forward?</i>	<i>Strategy Changed?</i>	<i>Focus of Comments</i>
078	I think so. You know, again, our [product lines] have lifecycles like anything else, and you might have something that's so classic like a [product x] that never gets faded, but we need to make sure that we're introducing items when they're at the peak, or when they're on the upswing of -- of the brand's cycle.	yes	means
064	Well, I think, one, perhaps just developing more realistic time lines, and that this might have been a case where we had thought that, say [a product x] rather than a whole line of [products], that a single entity, that it might have been better to, year one, get that product into various places to test. And then year two [later], be selling something that could demand more of a premium price, rather than being in this basically commodity kind of product line.	yes	means
022	[Alpha] will go out great guns and get the product out there and [then] doesn't support it. Doesn't give it the resources and then it dies a slow death. If you have the mindset this is a good product, this is a good strategy, let's get it out there, but we need to support it. Then projects have a better chance of succeeding.	yes	means
014	But again, from a business standpoint, it's fine enough for an R&D person to say we need to think out of the box, and come up with new ideas, but there must be a lot of financial resources kept aside for these types of things. And in this current marketplace that's tough to do, with the pressures of Wall Street...	yes	means
122	Not the strategy just the implementation and execution of it.	yes	means
112	We were in jeopardy of not meeting our commitments, the whole company was in pain together. So I would say even the business folks saw that. I mean, it had to be a lesson for everybody.	yes	ends
086	Yeah. I think the whole -- when [the new CEO] came in he just changed the whole business strategy.	yes	ends
104	The learning will change the strategy: to not try to do [product category x products] or small [projects] or things like that and focus on other things.	yes	means
107	I think so for the same reason. At the end, when the group disbanded, we all recognized the problems that we had encountered. Some of was out of our control, but obviously to a great extent we were being somewhat reactionary to things happening in the marketplace and unfocused from a leadership standpoint, and we would all resolve to approach that differently.	yes	means
089	What may come out of it is that in terms of the consumer's mind, that we want to make sure that all of our brands are differentiated. I don't know that we could differentiate it from the competition. Just more and more line extensions and stuff that doesn't really, in the consumer's mind, change the way that they think about your brand at all.	yes	means
049	I don't think so, no. We feel comfortable with [the strategy].	no	nd
116a	No.	no	nd

APPENDIX 2B Interview Excerpts Initiatives Perceived as Unaligned Failures (Hypothesis 2b)			
<i>Interview #</i>	<i>Did what was learned from this project influence strategy going forward?</i>	<i>Strategy Changed?</i>	<i>Focus of Comments</i>
080	I don't think so. Because that the idea was a good idea. And if it had worked, we'd be sitting pretty -- not that we'd be resting on our laurels, but we'd have some laurels we could rest on if we so choose. Or at least point to.	no	means
053	It was probably on strategy. So no, it probably won't. We were probably on strategy, it was just technically too difficult to do. Throughout the entire company, marketing [managers] changes so often that the only people that have history are the technical people. And generally, they're not listened to enough on what they've seen, what we've been through, and stuff like that. So it's a constant re-education process. As new people come in, we try to share with them what we've seen, what we've done, to help them through it. But there's no formal transfer of history or knowledge, within the market organization. So it's a problem.	no	means
088	No.	no	nd
031	Only that it will only continue to help reinforce why we need to have some of that [process] discipline.	no	means
028	No, because I think the strategy of [achieving certain overall objectives] was already an established strategy.	no	ends
019	No.	no	nd
052	No. Our strategy has always been, and will be in the foreseeable future, [company goal]. Until we see that there's no more upside.	no	ends
091	No. I think it should. Just a little bit more research, or due diligence up front. We saw something we thought could be revolutionary, and it still probably will be. But the time factor is not what we anticipated.	no	means
035	The strategy was great. I don't think anybody would argue with the strategy. The strategy was head on. We need to compete; we needed to have a big idea, it's got to be \$x plus, it's got to be incremental to the category. The strategy is very sound.	no	ends
101	I don't think it will.	no	nd
032	No, because we did in-depth analyses and everyone was on board with how we had done the research to understand what the strategy was. So you still have to go through those steps. I mean it's not like we left a stone unturned.	no	ends
098	No.	no	nd
040	No, I don't think so. It's very entrepreneurial, and you figure out a way of making that strategy work to be successful, and that's a good business practice.	no	means
071	I don't think so.	no	nd
082	No. I don't think it will. No. Because our strategy will stay right on course. Execution needs to be a little bit better, but strategically we're right in line.	no	means
113	No. No. I don't; not significantly.	no	nd

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