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Fostering entrepreneurship in the large, diversified firm

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*If entrepreneurship is to flourish in a large organization,
lower-level managers need to be free to identify and pursue
what they believe are promising opportunities.*

Fostering Entrepreneurship in

The Large, Diversified Firm

VIJAY SATHE

The essence of entrepreneurship lies in the recognition and exploitation of new business opportunities involving new products, markets, and technologies. The large, diversified firm needs to pursue myriad opportunities on many product, market, and technology fronts simultaneously. Moreover, in today's highly interdependent, global economy, entrepreneurial opportunities arise in unexpected ways, and the organization that wishes to compete effectively needs to seize these opportunities quickly. In response to the heightened demands of this economy, top management at many diversified companies is working to promote multiple centers of entrepreneurial initiative, typically at the business unit or division level.

There are several well-known examples of companies that have long successfully promoted such entrepreneurship, including 3M, Johnson & Johnson, and Hewlett-Packard. AT&T, General Electric, Kodak, and many others are reportedly following these pioneers' lead.

20 This article is based on a detailed study of management's efforts to promote entre-

preneurship within the business units or divisions of large, diversified firms. We conducted in-depth interviews and made careful observations at eight large companies in the United States and Europe; we also studied the histories of 35 specific entrepreneurial ventures. In the following discussion, the term "entrepreneur" refers to the person championing the venture. This person was the business unit or division head, or some other manager at the business unit or division level. The names of the companies and of the ventures have been disguised for reasons of confidentiality; additional details concerning this research are provided in the box on page 25.

The results of this study strongly indicate that in order to promote entrepreneurship successfully at the business unit or division level in a large, diversified firm, top management needs to make a sustained commitment to policies and practices that may fly in the face of conventional wisdom. Unfortunately, many senior managers have not made such a commitment and thus have promoted the form but not the substance of entrepreneurship. These managers push ahead

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