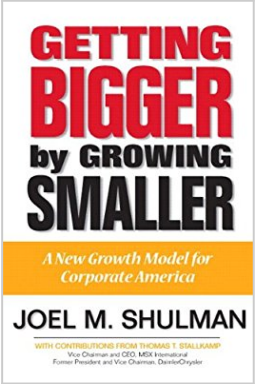

Getting Bigger by Growing Smaller: A New Growth Model for Corporate America

By Joel M. Shulman, Thomas T. Stallkamp Contributor

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In *Getting Bigger by Growing Smaller*, Joel Shulman, a leading researcher on entrepreneurship, teams up with Thomas T. Stallkamp, one of the world's most effective executives, to introduce a powerful new growth model for corporate America (based on 4 years of research at Babson College and Harvard University) that can enable corporations to break through this barrier to growth by utilizing a new breakthrough business model called the Strategic Entrepreneurial Unit (SEU). Shulman and Stallkamp demonstrate how to build new employee/entrepreneur-led startups within the corporation--entities that can take on new market opportunities and deliver startup-level growth. This is the first book to provide practical methods for actually identifying, creating, and implementing smaller units within large organizations to enable continued, rapid growth beyond the predictable barriers of the corporate life cycle.

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Editorial Review

From the Back Cover

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About the Author

Joel M. Shulman holds a Term Chair and is an Associate Professor of Entrepreneurship at Babson College. In addition to his Ph.D., CFA, and CMA credentials, he has an MPA from Harvard, where he conducted much of his research. He directs the Shulman Review Program, which provides training for investment professionals throughout the world. He has consulted extensively for both small entrepreneurial firms and large corporations, including Coldwell Banker, Ford, Freddie Mac, Kmart, Merrill Lynch, Salomon Brothers, Sears, and UNISYS. He has also consulted for the World Bank, assisting in the development of capital markets throughout Central Asia and the former Soviet Union.

Shulman is author or co-author of *Encyclopedia of Business; Leasing for Profit: Alternatives to Conventional Financing; Planning Cash Flow; How to Effectively Manage Corporate Cash: A Manager's Guide to Financial Analysis; The Job of Corporate Controller;* and *How to Manage and Evaluate Capital Expenditures.*

Thomas T. Stallkamp is Vice Chairman and CEO at MSX International, a global provider of collaborative enterprise services. He previously served as Vice Chairman of DaimlerChrysler, where he earned a global reputation for improving quality and cost-efficiency by developing new business processes and enhanced partnerships with the automotive supply community. During his term as President, Chrysler was the auto industry's most profitable company.

Stallkamp serves on the boards of Visteon Corporation and Baxter International. He is also on the board of advisors of Georgetown University's McDonough School of Business, and he teaches at Babson College's Graduate Entrepreneurship Center. He has received two Honorary Doctorates, from Georgetown University and Miami University.

Introduction

Corporate leaders today have a difficult task in trying to achievegrowth within their large organizations. Global competition hasincreased, risk capital providers have reduced their investments, andorganizational motivations/incentives tend to work against effectivelong-term growth and survival. Large companies continue to pursuegrowth, but they tend to focus on "big bets" or major investments/acquisitions. The rationale for this approach is that only a largeinvestment can make a difference to large, publicly traded organizations.Consequently, senior management tends to spend its time onlarge strategic projects or acquisitions--not small-scale entrepreneurialinitiatives, when exploring growth initiatives. This book suggeststhat management can do both. In fact, to the extent that managementpursues lots of small initiatives (with external parties overseeing thetime consuming tasks of deal filtering and analysis), the large organizationcan leverage its research and development without incurringadditional investment. Moreover, pursuing many small, entrepreneurialprojects helps diversify the portfolio of risk investments andreduces the risk associated with any major project failing.

This book introduces a new concept referred to as a StrategicEntrepreneurial Unit (SEU). Properly set up and managed, the SEUnot only offers many corporations a mechanism for continualrenewal, it also alters the structure of corporate incentives, givingsenior executives, middle managers, and line employees stronginducement to create lasting corporate value. The model focuses onenhancing the long-term health of the enterprise through strategicaffiliations with many small companies. Essentially, the SEU templateprovides an opportunity for entrepreneurs either internal orexternal to the large organization, to partner with the big company.This facility creates high potential growth ventures leveraging thebrand, intellectual property and infrastructure of the parent withoutburdening the new SEU venture with the cost structure, corporateculture or politicking of the large company. But this format is not forall companies, and it is not a panacea for poor management, institutionalmalaise, or an industrial decline.

The concept of the Strategic Entrepreneurial Unit (SEU) emergedfrom conversations with Corporate Venture Capitalists in the mid1990s. During this period, Corporate Venturing, or venture capitalin the large corporation, was just beginning to emerge as a newmodel of growth. Corporate executives observed venture capitalfirms investing in technological advances using risk capital and intellectualproperty in high technology fields. In many cases, theynoticed members of their own firm leave the large company and createa new high potential venture, sometimes in competition with theparent. These new companies competed in the same space and pursuedthe same customers as the large company. In a few extremecases the newly created public offerings had a market value that wasgreater than the parent from which they left just a few years earlier.Clearly, executives at large companies need to do something to helpstem this departure of growth. We believe the SEU can assist.

There are a few large companies that have already experimentedwith an SEU template, and many more that have utilized someaspects of this model. It is really not a radical departure of existinggrowth templates, but rather a compilation of successful attributesborrowed from prior models from the past. However, the successfulimplementation of the SEU depends on a number of factors including:corporate culture, market conditions and other existing growthmodels. It is not a model to be used by every major public company,but could provide some benefit to many.

Executives at large public organizations need a new model ofgrowth and should be interested in this book. Entrepreneurialemployees and potential partners outside the organization can alsoreceive benefit. Indeed, anyone who either works at a large company,does business with a large company, or would like to somedaypartner with a large company might potentially benefit from issuesdiscussed in this book. Again, the limitations of implementation arelargely a function of the corporate culture and the perceived need toadapt a new methodology of growth. Most organizations will likelyencounter enormous resistance to change given existing incentives tocontinue on the same predictable path.

The new model rewards risk-taking and provides incentives tothose who develop and expand upon the firm's intellectual capital.Ideally, the new growth template leverages the intellectual capital,distribution networks and cheap access made available by the parentorganization yet is not encumbered by self-dealing or bureaucracylingering in the parent culture. The SEU model is flexible enough sothat growth opportunities can come from outside the large firm, orbe generated from members within. Further, it enables middle managersto take advantage of small deals so that senior officers are notdistracted with minutia from relatively insignificant issues.

Individuals within the organization should be attracted to theconcept of the SEU since it gives them a convenient opportunity tolive out an entrepreneurial dream without assuming all of the burdensof establishing an entirely new venture (i.e., raising risk capitaland creating new intellectual property). Entrepreneurs running businessesexternal to the large, public organization will find the SEUtemplate a simple method for establishing new business partnershipsand extending their strategic direction. In both situations the risk ofthe new venture should be lower than the risk in developing a ventureindependent of the parent. Since the new venture will be associatedwith a parent organization that already has a business presenceand infrastructure, without incorporating the high corporate overhead,the potential return should also be higher. Consequently, theSEU concept should create value for both the members of the ventureas well as the parent organization.

Although it is likely that no single (small) SEU will, by itself,result in a measurable impact to the large, publicly traded parentorganization, the growth of a portfolio of numerous, small anddiversified SEU ventures could easily surpass the net contributions ofa few enormous (non SEU) projects. As part of a diversifiedapproach, the large organization should pursue growth both fromtraditional research and development and venture initiatives as wellas SEU ventures. With respect to the latter, it is important that theSEU structure be established by senior management to allow independenceand the opportunity to grow without undue influencefrom external parties.

Our research began in the mid 1990s when we first initiatedinterviews with Corporate Venture capitalists (we had interviewsover three years) and then developed into a theoretical model in thelate 1990s. We refined this concept while engaged in full timeresearch at Harvard (at the Harvard Business School as well as theJohn F. Kennedy School of Government and Harvard Law Schools)and have since developed this concept. There were a number of facultyat Harvard that provided insight to this book, though they are,of course, absolved from any blame or errors included within. Theseinclude: Professor Hall and Professor Sebenius (both from HarvardBusiness School), Professor Mnookin (Harvard Law School), andProfessor Gergen (Kennedy School of Government). Each of themprovided insights that were very beneficial in developing our models.In addition to our empirical analysis at Harvard we gained additionalinsight in this subject from many research projects that weassigned as faculty at Babson College. In total, we received inputgenerated from over 100 projects including more than three hundredBabson Graduate and Undergraduate students.

This project began in 1995 and ended in 2003. Corporate venturinghas changed appreciably during this time period along withother models of corporate growth. The impetus for organizations togrow will continue irrespective of time period. However, methodologieswill vary depending on market dynamics and opportunity availability.Applications suggested in the following pages have beenprimarily designed for individuals conducting business with large,publicly traded companies. It is possible, perhaps even likely, thatextensions or derivations of these models might also apply to governmentalbodies and private companies. Ultimately the successfulapproach to corporate venturing requires a careful blend of talent,financing and opportunity. The key is to ensure that value is beingcreated in the marketplace and that the rewards are being fairly allocatedto the satisfaction of all stakeholders involved. This book hasbeen prepared with the spirit of these principles in mind.

Users Review

From reader reviews:

Leticia Simmons:

Do you have favorite book? Should you have, what is your favorite's book? E-book is very important thing for us to understand everything in the world. Each guide has different aim or maybe goal; it means that e-book has different type. Some people sense enjoy to spend their time for you to read a book. They are reading whatever they get because their hobby will be reading a book. Why not the person who don't like reading a book? Sometime, particular person feel need book when they found difficult problem or maybe exercise. Well, probably you should have this Getting Bigger by Growing Smaller: A New Growth Model for Corporate America.

Raymond Hernandez:

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