

Impact case study (REF3b)

**Institution:** *London Business School.*

**Unit of Assessment:** *C19 — Business and Management Studies.*

**Title of case study:**

*Corporate Entrepreneurship.*

### **1. Summary of the impact**

Julian Birkinshaw published a series of studies on the subject of corporate entrepreneurship—how people within large companies can take initiative to develop new products, services, or internal improvements in how they work, and how those companies use internal structures and processes to help or to hinder such entrepreneurial endeavours. *His research has had significant impact for large established companies that seek to become more agile and innovative in a rapidly-changing business environment.* A specific instance of this is his development of the InnoMeter for Tata.

### **2. Underpinning research**

This case study concerns two phases of underpinning research that took place in the period 1997–2004, conducted at London Business School by Professor Julian Birkinshaw.

In the first phase, he developed the concept of *subsidiary initiative*. This is the pro-active effort of managers in foreign-owned subsidiary companies, to develop new products or services, or to improve the internal function of the company, in a way that was aligned with the overall objectives of the parent. In two academic articles (SMJ, 1997, 1998) he described this phenomenon and showed how it could be used to enrich the theory of the multinational corporation. These papers have become very well cited in the academic literature. In a subsequent practitioner-oriented article (HBR, 2001) he examined the practical implications for both subsidiary and parent company executives, showing how multinationals that embraced subsidiary initiative could more effectively tap into global growth opportunities than the ones who took a more controlling approach.

In the second phase of research, Birkinshaw shifted his focus to the corporate level, and he sought to understand how some companies create organisational environments that embrace initiative, innovation, and entrepreneurship, while others suffocate the entrepreneurial endeavours of their employees. In a practitioner-oriented article (Strategy + Business, 2003) he used the example of Enron's recent demise to show how a clear sense of direction, space for experimentation, explicit boundaries, and a supportive culture contribute to effective corporate entrepreneurship.

These arguments were developed further in a large-sample empirical study (AMJ, 2004) in which the notion of contextual ambidexterity was first put forward. The argument was that a supportive culture (built around discipline, stretch, support, and trust) would enable front-line managers to make the right choices between the competing imperatives for alignment and adaptability, and thereby achieve higher business-unit performance. A practitioner version of this paper was also written (SMR, 2004). These arguments about contextual ambidexterity are now very highly cited.

### 3. References to the research

“Entrepreneurship in Multinational Corporations: The Characteristics of Subsidiary Initiatives,” Julian Birkinshaw, *Strategic Management Journal*, 18(3), March 1997, pp. 207–229.

[dx.doi.org/10.1002/\(SICI\)1097-0266\(199703\)18:3<207::AID-SMJ864>3.0.CO;2-Q](https://doi.org/10.1002/(SICI)1097-0266(199703)18:3<207::AID-SMJ864>3.0.CO;2-Q)

“Building Firm-Specific Advantages in Multinational Corporations: The Role of Subsidiary Initiative,” Julian Birkinshaw, Neil Hood, and Stefan Jonsson, *Strategic Management Journal*, 19(3), March 1998, pp. 221–242.

[dx.doi.org/10.1002/\(SICI\)1097-0266\(199803\)19:3<221::AID-SMJ948>3.0.CO;2-P](https://doi.org/10.1002/(SICI)1097-0266(199803)19:3<221::AID-SMJ948>3.0.CO;2-P)

“Unleash Innovation in Foreign Subsidiaries,” Julian Birkinshaw and Neil Hood, *Harvard Business Review*, 79(3), March 2001, pp. 131–137.

“The Paradox of Corporate Entrepreneurship,” Julian Birkinshaw, *Strategy+Business*, Spring 2003.

“The Antecedents, Consequences, and Mediating Role of Organizational Ambidexterity,” Cristina B. Gibson and Julian Birkinshaw, *Academy of Management Journal*, 47(2), April 2004, pp. 209–226. [dx.doi.org/10.2307/20159573](https://doi.org/10.2307/20159573)

“Building Ambidexterity into an Organization,” Cristina B. Gibson and Julian Birkinshaw, *Sloan Management Review*, Summer 2004, pp. 47–55.

*Evidence of quality.* The outlets comprise top-ranked peer-review journals (SMJ, AMJ) and -ranked practitioner journals (HBR, SMR, S+B) rated as 3\* or 4\* by the Association of Business Schools. The outputs have been cited very heavily; there are over 3,000 “google scholar” cites.

### 4. Details of the impact

*Overview.* Birkinshaw’s research has had a substantial impact in the corporate sector and in the sphere of inward investment. His ideas have been exploited by large companies seeking to become more entrepreneurial and innovative, but without losing their efficiency. Several have used Birkinshaw’s ideas to develop diagnostic tools and instruments to help them monitor and improve their capacity for entrepreneurship and innovation. A specific case is Tata’s InnoMeter.

*Beneficiaries.* The key beneficiaries are, as noted above, large companies who are seeking to become more innovative. Three specific examples of beneficiaries are Tata (the main focus of this study), UBS, and Intel. Another group of beneficiaries comprises inward investment agencies.

*Impact in Action: The InnoMeter.* The corporate sector has used Birkinshaw’s underpinning research to understand how they can adapt their internal structures and culture to encourage higher levels of corporate entrepreneurship. A specific instance is the 2010 collaboration between Birkinshaw and the Indian conglomerate Tata, which resulted in the invention and implementation of the *InnoMeter*. This has been described as a thermometer which reveals whether a business environment is conducive to innovation, via a numerical comparison figures taken from other companies.

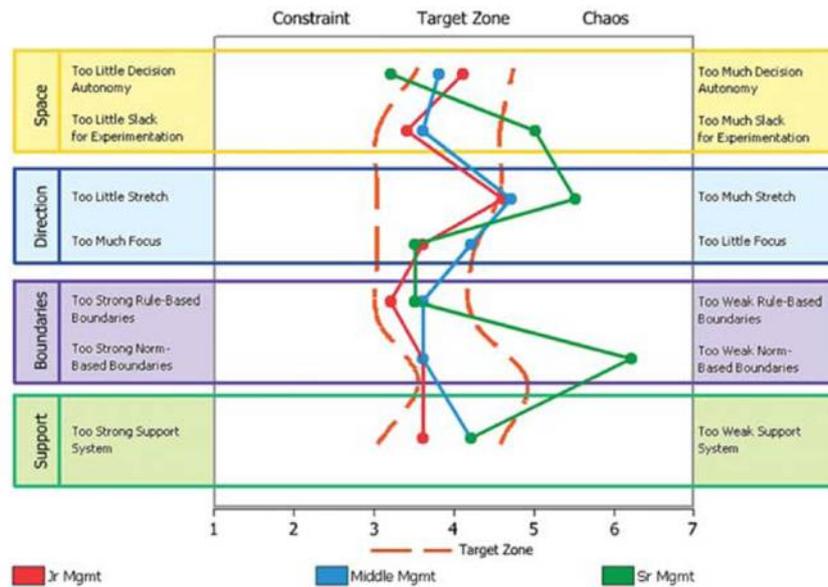


FIGURE 1. Sample Output from the Tata InnoMeter

Tata Quality Management Services (TQMS) is a division of the Tata conglomerate. (Tata comprises 100+ companies in IT, energy, engineering, chemicals, and many other areas.) TQMS adds value to Tata companies, enhances their performance excellence, and raises their global competitiveness. Sunil Sinha, CEO of TQMS, was quoted (p. 393) in the book *Nanovation*: “Since much of the Tata culture was driven by numbers, so people are driven by numbers, and we thought it may be a good idea to create a framework for evaluating innovation. The InnoMeter creates a healthy and functional kind of competition among businesses as they compare results.”

The impact began when Tata used Birkinshaw as a consultant and speaker. He was commissioned to run a workshop on corporate entrepreneurship. This process developed into a collaborative partnership with Tata’s internal quality management team; that is, with TQMS.

The assessment tool measures the *innovation process* and an organization’s *innovation culture*.

For the first dimension, the procedure evaluates the extent to which ideas are generated from within the business unit; from collaboration with other parts of the Tata group; and from collaboration with external partners. It also considers the conversion of ideas into successful outputs, by assessing the presence of screening processes for novel ideas and procedures for funding them. In essence, this first dimension considers the facilities for dissemination of innovations.

The second dimension is the culture of innovation. The InnoMeter measures whether that culture is too constrained or too loose. There are four sub-dimensions: *space* (the autonomy to chase new ideas), *direction* (the guidance given to a team), *boundaries* (the encouragement for and constraints to risk taking), and *support* (regarding the structure, systems, and policies of the organization). These connect directly to the underpinning *Strategy + Business* (2003) article.

The methodology of InnoMeter involves surveys of all relevant employees; in-depth interviews with selected senior managers; and group discussions with randomly selected employees.

In describing their innovation activities, Tata (see [tinyurl.com/lbs-ref-tata-1](http://tinyurl.com/lbs-ref-tata-1)) recognizes that Birkinshaw's procedures are embedded: "InnoMeter is a tool that acts as a mirror for Tata companies, and as a result generates enough creative tension for companies to initiate work on improving their innovativeness." They also state ([tinyurl.com/lbs-ref-tata-2](http://tinyurl.com/lbs-ref-tata-2)) that "The entire concept is based on Prof Birkinshaw's Innovation Value Chain."

*Other Impact Episodes.* Three other examples of are briefly documented here.

*UBS.* Birkinshaw's research has and is used in several divisions of UBS (a Swiss bank) including the Wealth Management business, the central Information Technology group, and the Leadership Institute. UBS applied Birkinshaw's ideas to create a series of seminars for senior executives to help them understand how to improve their capacity for entrepreneurial leadership.

*Intel.* Birkinshaw's research has also been applied actively in foreign-owned subsidiaries in many countries round the world. For example, Intel's Irish subsidiary has used Birkinshaw to speak to them on several occasions, and it has applied his ideas (derived from the underpinning research) about subsidiary initiative and subsidiary evolution to help shape their own long-term future.

*Inward Investment.* The broader reach of Birkinshaw's research is illustrated by its use in the inward investment agencies. Such agencies encourages foreign multinationals to invest in their country. Birkinshaw has shown that it is insufficient to have an attractive host environment; a business also needs subsidiaries that are proactive in seeking out additional investment. This notion of "sequential investment" whereby a small investment by a multinational then leads to a larger investment down the road, had been underplayed; Birkinshaw helped to show its importance. To convert this message to impact, Birkinshaw acted as a speaker or consultant for inward investment agencies in Canada, Scotland, Ireland, Sweden and Australia. He helped them become more effective in promoting the development possibilities for foreign subsidiaries.

## **5. Sources to corroborate the impact**

*Tata.* The TQMS General Manager (Europe) spoke about the InnoMeter at an Academy of Social Sciences event at the BIS Conference Centre in June 2012. His name and contact email is provided for corroboration. Birkinshaw's involvement in the InnoMeter is publicly reported:

"The heart of the meter," Arundhuti Dasgupta, Tata Quality Management Services, March 2010.

[www.tata.com/company/articles/inside.aspx?artid=1pPYF0M8Bc4=](http://www.tata.com/company/articles/inside.aspx?artid=1pPYF0M8Bc4=)

*Nanovation: How A Little Car Can Teach The World to Think Big* by Kevin and Jackie Freiberg, with Dain Dunston, December 2010, Penguin Books. ISBN: 978-0143415688.

"'InnoMeter' to help Tata transition after Ratan," *Hindustan Times*, Mumbai, 30 May, 2011.

*UBS.* Contacts from Chase Performance Group and the Global Learning and Development Network are provided; these were personnel associated with Birkinshaw's UBS involvement.

*Intel.* The General Manager of all Intel's operations in Ireland can provide corroboration.