

# THE ENTREPRENEURIAL AUDIT: INNOVATION EFFICIENCY IN THE 21ST CENTURY

**Robert M. Peterson, University of Portland**  
**Kevin D. Johnson, Intel Corporation**

## ABSTRACT

*An entrepreneurial audit is a comprehensive examination of a firm's entrepreneurial and innovation characteristics. It evaluates the ability to identify and respond to opportunities, create and maintain an "entrepreneurial" environment, analyze the utilization of resources, and understand organizational efficiency to maximize time-to-profits. This corporate entrepreneurial behavior has been shown in repeated studies to improve financial performance.*

*This entrepreneurial audit uses a qualitative managerial analysis approach to allow for the diversity of executive perspectives and organizational behaviors to be fully encompassed. The audit begins with assessing the fundamental mission, vision, and competence of the corporation. Then, six component areas of an audit are scrutinized: 1) Internal Environment, 2) Entrepreneurial Culture, 3) Starting Points of Innovation, 4) Innovation Process, 5) Team Dynamics, and 6) Resource Allocation. Appendix A contains a summary of the questions that an executive may use to assess a firm's entrepreneurial environment and support for innovative behaviors.*

*The conclusions of the entrepreneurial audit are an indication of a firm's entrepreneurial momentum and innovation efficiency. This momentum is a framework for the firm's ability to respond to environmental opportunities and threats in the 21st century. The audit summary offers an organization a baseline of innovation efficiency and a strategic tool in which to begin entrepreneurial renewal.*

The body of this manuscript is not reproduced in this posting. The full text of the manuscript is available through most university libraries. Should you have difficulty in finding the full text, you may acquire it from the original journal. Visit <http://www.alliedacademies.org> to find a link to the original journal source.

irrespective of past performance. Entrepreneurial firms do better overall, understanding a firm's entrepreneurial innovation efficiency begins with this entrepreneurial audit process.

The conclusions of the Entrepreneurial Audit are an indication of a firm's entrepreneurial momentum and innovation efficiency. This momentum is a framework for the firm's ability to respond to environmental opportunities and threats in the 21st century. The audit provides strategic tools in which to begin entrepreneurial revitalization.

### ENDNOTES

- <sup>1</sup> Senge, Peter. (1994). *The Fifth Discipline: The Art and Practice of the Learning Organization*. New York: Currency, Doubleday; Clayton M. Christensen (1997). *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*. Boston: Harvard Business School Press; Gary Hamel (2000). *Leading the Revolution*. Boston: Harvard Business School Press; and R. M. Kanter, J. Kao, and F. Wiersema, (1997). *Innovation: Break through Ideas at 3M, DuPont, Pfizer and Rubbermaid*. New York: HarperCollins Publishers.

### REFERENCES

- Block, Z. & I. Macmillan (1993). *Corporate Venturing: Creating New Business Within the Firm*. Boston, MA: Harvard School Press.
- Hornsby, J. S., D. F. Kuratko, & S. A. Zahra (2002). Middle managers' perception of the internal environment for corporate entrepreneurship: Assessing a measurement scale. *Journal of Business Venturing*, 17(3), 253-273.
- Howell, J. M. & C. M. Shea (2001). Individual differences, environmental scanning, innovation framing, and champion behavior: key predictors of project performance. *The Journal of Product Innovation Management*, 18, 15-27.
- Johan, W. (1999). The sustainability of the entrepreneurial orientation--performance relationship. *Entrepreneurship Theory and Practice*, 24(1), 37-48.

- Jones, C.E. (1996). *Walt Disney Imagineering: A Behind the Dreams Look at Making the Magic Real*. New York, NY: Hyperion.
- Kanter, R. M. (1983). *The Change Masters*. New York, NY: Simon and Schuster.
- MacMillan, I. C. & D. L. Day (1987). Corporate ventures into industrial markets: dynamic of aggressive entry. *Journal of Business Venturing*, 2, 29-39.
- McGowan, J. (1989). How Disney Keeps Ideas Coming. *Fortune*, 133, 131-134.
- Miller, A. & B. Camp (1986). Exploring determinants of success in corporate ventures. *Journal of Business Venturing*, 1(1), 87-105.
- Morris, M. H., D. L. Davis, & J. Ewing (1988). The Role of Entrepreneurship in Industrial Marketing Activities. *Industrial Marketing Management*, 17, 337-346.
- Morris, M. H. & D. L. Sexton (1996). The concept of entrepreneurial intensity. *Journal of Business Research*, 36(1), 5-14.
- Morris, M. H. & J. D. Trotter (1990). Institutionalizing Entrepreneurship in a Large Company: A Case Study at AT&T. *Industrial Marketing Management*, 19(2), 131-139.
- Shaker, Z. A. & J. G. Covin (1995). Contextual influences on the corporate entrepreneurship-performance relationship: A longitudinal analysis. *Journal of Business Venturing*, 10(1), 43-48.
- Zook, C. & J. Allen (2001). *Profit from the core: Growth strategy in an era of turbulence*. Cambridge, MA: Harvard Business School Press.