EFO 705

CORPORATE ENTREPRENEURSHIP: IS IT A SOLUTION FOR THE AUTOMOTIVE CRISIS?

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Abstract:

The global financial crisis of 2008-2009 that the world economy is passing through has a major effect on the automotive industry in particular. The impact of the international financial market crisis on the automotive industry is dramatic. The global unit sales of cars has decreased by approximately 5%, the biggest drop in nearly 30 years, and a significant sharp drop in demand in the volume in all market. Daimler AG with no exception along with all the big players in the automotive sector is faced with critical strategic dilemmas to deal with the current automotive crisis resulting from the global financial crisis.

The main purpose of this thesis is to study Daimler AG Company entrepreneurial activities and practices that can help establishing Corporate Entrepreneurship in the organization. It aims to identify the models used by Daimler for maintaining or even creating the corporate entrepreneurship. It will be concentrating of certain aspects of CE mainly related to leadership, culture, structure, and strategy of Daimler AG. We also aim to understand if Corporate Entrepreneurship is a solution for Daimler AG to survive in this automotive crisis.

Qualitative method is used in our study in order to evaluate and test our research questions. Qualitative method in this research will aim to collect both primary data through semi-structured interview, and secondary data related with Daimler and corporate entrepreneurship which is obtained through Daimler website and relevant reports, academic journals, university database, books and relevant websites.

Therefore, is corporate entrepreneurship (CE) a solution for the automotive crisis? We conclude that Daimler is applying a strategy based on creating a high entrepreneurial environment within their organization. The current performance measures show that Daimler is improving and in a better situation than many other automotive manufacturers. However, we believe that corporate entrepreneurship (CE) by itself is insufficient for MNCs like Daimler to survive the current crisis. Nonetheless, CE is a crucial supporting factor that is needed for an organization to survive in an extreme business environment, where constant innovation and further development is always needed to sustain future growth.

**Key Words:** ‘Corporate Entrepreneurship’, ‘Entrepreneurial Transformation’, ‘Daimler and entrepreneurship’, and ‘Strategic Entrepreneurship’, ‘Automotive Crisis’
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Hande Cirak
1. Introduction:

In this chapter we introduce the topic of this thesis, and the reasons for choosing this selected field; the automotive industry and the current crisis it is going through. We then discuss the problem facing by the automotive industry and what we find suitable for us to look further into. We present the aim and the purpose of our study, and our research question. We finally discuss the limitations of this paper and how it’s going to be structured.


The global financial crisis that the world economy is passing through has a major effect on the automotive industry in particular. This automotive crisis of 2008–2009 has began during the latter half of 2008. The North American automobile manufacturing industry has taken the heaviest blow due to the Automotive Products Trade Agreement. However, the European and Japanese automobile manufacturers are also suffering from the crisis affecting the biggest market for automobiles; North America. (India, 2009)

The impact of the international financial market crisis on the automotive industry has been dramatic. The global unit sales of cars decreased by approximately 5%, the biggest drop in nearly 30 years, and a significant sharp drop in demand in the volume in all markets (German Association of Automotive Industry (VDA), 2008 in Daimler Annual Report, 2008). Although the South American, and Chinese markets shows some optimistic growth, worldwide unit sales of commercial vehicles decreased. Figure 1 summarizes these numbers and shows the decline and the growth of the major big automotive markets.
Many factors played a crucial role in escalating the bad conditions the automotive industry is passing through, the oil crisis and increasing prices of fuel is one of them. American manufacturers also suffered from considerably higher wages than their non-unionized counterparts, including salaries, benefits, healthcare, and pensions (La Botz, 2008).

Year 2009 began and still on signs of changes regarding economic conditions, vehicle manufacturers all around the world are affected heavily by the economic slowdown across national boundaries (Bunkley and Vlasic, 2008). American manufacturers are still suffering; and the latest news is that Chrysler is forced to declare bankruptcy (Kim, 2009). Moreover, for the first time in their history, Toyota Motor Corp. -one of the biggest car manufacturers in the world- reports worst annual results; has forecast its first annual loss in 71 years, and it claims that it’s mainly due to plummeting sales and a surge in the value of the yen (Toyota Braced for Historic Loss, 2008). The conditions of competition in the global environment have changed for all the companies. The market is dominated now by extreme competition, constant change, complex tasks and environmental turbulence (1975 in Livesay, 1995; Burns, 2008). All car manufacturers whether from Asia, Europe, North America, and elsewhere have been forced to implement new strategies in order to serve the new shift in demand regarding this industry. Consumers now are more concerned with efficiency and sustainability rather than luxury and style (Zalubowski, 2008). Consequently, knowledge, innovation and flexibility
become an important resource for sustained competitive advantage and entrepreneurship is a crucial factor for success (Burns 2008; Czernich 2004). Car manufacturers are focusing with a bigger extent to be more innovative and creative when comes to their marketing, structuring, and operational strategies.

A rhetorical question is thus why do innovation is not seen as a path for success by automotive companies? This may be related to the fact that being innovative is not simple matter that is easy to achieve within large companies. Indeed, mechanistic, bureaucratic and rigid structures may be resistant to change and not so flexible to be transformed. Many scholars research new ways for mechanistic and rigid structure of large organizations and came up with different theories (Dess et al., 2003). One of the possible solutions for companies is to be more entrepreneurial and flexible. And some believe inducing Corporate Entrepreneurship (CE) in the organization’s structure would help them achieve it. CE is about the ability of an organization to take the advantage of challenges and turn them into innovations, to create what is known as a learning organization, to do things differently and to be more adaptable and flexible toward any situation whether it’s a critical measure or a given opportunity (Burns, 2008, p.xx). According to Sharma and Chrisman (1999 in Dess et al., 2003, p.352), “Corporate Entrepreneurship is the process whereby an individual or group of individuals, in association with an existing organization, create a new organization, or instigate renewal or innovation within that organization”. The problem is however whether Corporate Entrepreneurship can be induced in the automotive industry and how. To answer this question, this thesis will focus on Daimler AG. The next section introduces Daimler as a company inducing Corporate Entrepreneurship.

1.2. Daimler AG and the Automotive Crisis

In a competitive global business environment, many factors affect the MNCs financial performance and results of operations. And these factors are subject to various risks resulting from changing political, social, industry, business, financial, and most importantly to our paper economic conditions. Daimler AG with no exception along with all the big players in the automotive sector is faced with critical strategic dilemmas to deal with the
current automotive crisis resulting from the global financial crisis. Although stock performance in the last six months are not so encouraging with a drop from almost $50 to $28 roughly (see figure 2 for more details), and the cut the hours for 54,000 German assembly-line workers and close two plants in North America, Daimler AG still believe that cutting costs and minimizing expenditures are not the ideal solution to deal with this crisis (Haxel, Reiter, 2009).

![Figure 2: Snapshot of Daimler AG (DAI), 6 months (Source: Investing In Businessweek)](image)

According to Reuter’s website on January 10th, Daimler (DAIg.DE) Chief Executive Dieter Zetsche stated in the auto show in Detroit in Jan 2009 that “they would not jeopardize the automaker’s long-term success by cutting spending on product planning and research”. He was also quoted in the same article saying "Right now, we consider our ability to innovate a major competitive advantage especially in difficult times”. Thus believing in investments and insisting on innovation to deal with this current crisis (Bohan, Hetzner, and Krolicki, 2009).

Many factors such as overcapacity, intense competition, high commodities prices and increased supplies prices are forcing Daimler to change their currently applied strategy approach and shift the focus to further cost reductions strategies. However, Daimler is clear and confident about innovation being their major competitive advantage of crisis times.
Daimler strategy is focused on getting external funds to enhance the company’s performance rather than cutting budgets and reducing costs. The recent sale of a 9.1 percent stake to an Abu Dhabi investment fund- Aabar Investments PJSC- is a good proof of that (Haxel and Reiter, 2009). According to an article published by Bloomberg news network on March 23, 2009, Daimler believes that fund will give company an advantage over rivals that have yet to seek additional cash as automotive markets shrink. Chief Executive Officer Dieter Zetsche stated that the funds will mainly used to develop and finance fuel-saving technology such as development of battery- powered vehicles (Haxel and Reiter, 2009). And Daimler reinforces that with the 49-percent stake in Evonik’s [RUHR.UL] lithium-ion battery unit. A step taken to gain access to the technology that represents the critical component of electric-drive and hybrid vehicles; is the future step in the automotive industry (Bohan et al., 2009).

As a whole, initial research and news show that Daimler is also suffering through this automotive crisis period that the sector is facing nowadays. The 1st Quarter Interim Report 2009 published on April 28, 2009 shows that Daimler has net loss of €1,286 million compared to net profit of €1,332 million in Q1 2008. The report also shows decreases in unit sales and revenue expected for full-year 2009 (Daimler 1st Quarter Interim Report, 2009). However, Daimler still believes that their future profitability will depend on the ability to offer competitive prices while maintaining a high level of product quality; in addition to, the ability to offer innovative new products and meet consumer demand. Daimler focuses on two clear objectives; focusing and emphasizing on knowledge, innovation and flexibility to maintain their competitive advantage in the automotive industry (Daimler Annual Report, 2008). In other words, we believe that Daimler considers Corporate Entrepreneurship ideology as one of the possible solutions to deal with the current crisis this industry is facing. This study will elaborate on such observations. It will show if Corporate Entrepreneurship is an effective solution for MNCs like Daimler in particular to survive the automotive crisis. It will examine the strategic approaches MNCs map to survive in these changing and challenging circumstances. Specifically, the focus will be on corporate entrepreneurship practices within MNCs, how CE is induced and supported with organization, and what challenges of being entrepreneurial MNCs leaders face. The research will analyze the factors that can help establishing CE in the organization. Therefore, Daimler AG Company
entrepreneurial activities will be studied and analyzed as an empirical case study for this thesis.

1.3. Purpose of the study

The main purpose of this thesis is to explore Daimler AG Company entrepreneurial activities and practices by mapping out the factors that can help establishing Corporate Entrepreneurship in the organization. It aims to describe the models used by Daimler for maintaining or even creating the corporate entrepreneurship they are striving for.

1.4. Research Questions:

To carry out this research and to be able to analyze the topic, the following research questions will be asked:

- *Can we qualify Daimler strategy as entrepreneurial? If so, what are the steps taken by Daimler AG to induce or support their Corporate Entrepreneurship (CE) Strategy?*
- *How are corporate entrepreneurial behaviors being facilitated in Daimler’s management team?*
- *What factors are affecting CE applied by Daimler, and how could Daimler be more entrepreneurial?*

1.5. Limitation:

The thesis paper mainly focuses on Corporate Entrepreneurship theory specifically entrepreneurial transformation. Even though there are other types of Corporate Entrepreneurship types including corporate venturing, Intrapreneurship, and bringing the market inside, we discussed Corporate Entrepreneurship through the lenses of entrepreneurial transformation by excluding other types of corporate entrepreneurship. Our focus is mainly concerned in the activities inside an organization, and entrepreneurial transformation focus on these activities with a good overall view on the strategy, culture, structure, and leadership and not a single part in particular. As being one of the forefront car
companies, we chose Daimler- one of the leaders in the automotive industry- as our case study. In our preliminary research, we found that Daimler AG focus on innovation and entrepreneurial activities as a crucial role in achieving sustainable growth; therefore, they fit the profile we are conducting the research about.

Due to the time factor and the resources allocated to this paper, we also concluded that a study about entrepreneurial activities within organization can be best presented if we concentrate on one company rather than the whole automotive industry since our finding will be more specific, more reliable, and we will reduce the generalization of the results. As being one of the forefront car companies, we chose Daimler as our thesis subject. Furthermore, we only chose to use qualitative method rather than quantitative method due to the time factor and inability to reach a sufficient number of employees working for Daimler AG. We also analyzed Daimler entrepreneurial activities through the lenses of company perspective. Our work is mainly based on interpretation of interview made with Mark Reine, Daimler Annual report, Integrity Report, High-Tech Report and Sustainability Report.

1.6. Paper’s Structure:

In chapter 2 we go through our theoretical framework. We describe the theory that we use as a knowledge foundation for our study. We map out some of the studies that are relevant for the theoretical perspective in this study.

In chapter 3 we describe the methodology we have used when making our study. We describe the different choices we have made throughout the study, and motivate why we have made these choices. And we briefly present our respondent.

In chapter 4 we present our respondent in more details, and we compile our empirical material that we have gathered through our conducted interviews. The information is presented respondent by respondent.

In chapter 5 we evaluate the gathered empirical information and analyze it by the support of our theoretical framework.
In chapter 6 we present the conclusions drawn from the analysis of the gathered information. Here we also present the conclusions that we arrived with regarding studying CE within organizations.
2. Theoretical Framework:

In this chapter we present our theoretical framework and the main theories that will help us answer our research questions. We present the Corporate Entrepreneurship theory, its definition, types, success factors, and dimensions. This is where we accumulate a knowledge base that is necessary to fully understand the scope of the thesis paper and the logic used to conduct it. This knowledge base will support the gathering, interpreting and analyzing of our information and empirical data made in latter chapters.

2.1 Corporate Entrepreneurship:

In recent years, the conditions of competition in the global environment have changed for the companies. The market is dominated by constant change, complex tasks and environmental turbulence (Rothwell, 1983 as cited in Livesay, 1995; Burns, 2008). As we mentioned earlier; knowledge, innovation and flexibility become an important resource for sustained competitive advantage. In other words, ‘Entrepreneurship’ is the crucial factor for success or survival (Burns 2008; Czernich 2004). While small firms take the advantage of these conditions and become very successful due to their flexible structure and entrepreneurial spirit, large firms suffer more due to their mechanistic, bureaucratic and rigid structures (Burns, 2008). Many scholars research new ways for large organization and come up with many ideas. One of the solutions for companies to deal with the rigid bureaucratic structures is to induce Corporate Entrepreneurship in their structure (Dess et al., 2003).

As it is mentioned earlier, while CEOs are concerned about profitable organic growth, they find corporate entrepreneurship or creating a new business as one of the solution (Lippitz & Wolcott, 2007). As corporate entrepreneurship is becoming popular, research on CE has grown too (Dess et al., 2003).

According to Cunningham and Lischeron (1991), CE can be seen as a school within entrepreneurship theory. Since there is no generally accepted definition of entrepreneurship (Swedberg, 2003), the definition of corporate entrepreneurship also suffers from this problem.
In the next sections, we are going to define and explain Corporate Entrepreneurship from different perspectives of many authors. We will present the different point of views on Corporate Entrepreneurship in regards to its definitions, different types, and success factors that affect it.

2.1.1. Definition of Corporate Entrepreneurship (CE):

As it is mentioned above, since there is no generally accepted definition of corporate Entrepreneurship (CE), many scholars define CE differently. According to Sharma and Chrisman (1999 in Dess et al, 2003, p.352), “Corporate Entrepreneurship is the process whereby an individual or group of individuals, in association with an existing organization, create a new organization, or instigate renewal or innovation within that organization”. Dess et al. (1999) also see it as two types of phenomena and processes: while one is about creating a new business within existing organizations through internal innovation or joint ventures, alliances, the second one is about the transformation of organization through strategic renewal. Burns (2008, p.12) defines CE as a process which encourages CE in every level of organization; corporate, division, business unit...etc. Lippitz and Wolcott (2007, p.75) define it as “a process in which teams within an establish organization create a new business which is distinct from parent company but leverages the parent’s asset, market positions, capabilities or other resources.” Also according to Vesper (as cited in Hornsby & Kuratko, 1999, p.29), “Corporate Entrepreneurship is a new strategic dimension, initiative from below and autonomous business creation.”

These different definitions show that the meaning of Corporate Entrepreneurship (CE) is still ambiguous. CE can be seen as an evolving phenomenon which is still being researched by many researchers (Burns, 2008; Zahra, 1991). In order to fully understand corporate entrepreneurship, different types of CE must be analyzed. The next section will show the difference between these types, and which is more relevant to our research.
2.1.2. Types of Corporate Entrepreneurship:

Scholars define and classify CE into many different types. These views cover a wide range. According to Birkinshaw (2003 in Burns, 2008, p.13-14) and Thornberry (2001 in Kenney & Mutjuba, 2007, p.75-6), there are four types of corporate entrepreneurship:

- **Corporate Venturing:** It is the process of starting new ventures related to core business through investing in smaller innovative firms and different forms of corporate venturing units by larger firms.
- **Intrapreneurship:** It is about the identification of employees who have entrepreneurial skills and it focuses on encouraging these employees to act in an entrepreneurial way within large organizations.
- **Bring the market inside:** This dimension takes a marketing approach to encourage entrepreneurial behavior by changing structure.
- **Entrepreneurial Transformation:** According to Burns (2008, p.14), it is about the adaptation of organizational structure, and culture to changing environment and create a new organizational environment to encourage entrepreneurial activity. He also mentioned that according to this dimension, the individual behavior in the organization is influenced by leadership, strategy, systems, structures and culture.

Moreover, Covin and Miles (1999 in Dess et al., 2003) identify four types of CE. They offer structurally complex firms to use simultaneously one or more forms of CE in different parts of organization. The first one is sustained regeneration, which is stimulated by the firm’s culture, processes and structures to create new products in its existing market and also to enter with existing product into new markets. Here, companies know their product’s life cycle and they create strategies according to competitive expectations. The second type of CE is organizational rejuvenation. It is more about process and administrative innovations rather than product innovations. It enables organizations to improve the firm’s ability to execute strategies. It concerns about inducing entrepreneurship through organizational procedures and standards. Strategic renewal, which is the third one, is about how to change strategies to compete differently. While organizational rejuvenation is about the organization itself, strategic renewal is about both organization and environment. It consists of the ways to exploit the opportunities more profitably and how to explore new ideas in
these changing circumstances. *Domain Redefinition* focuses on creating a new product market that competitors have not discovered yet or are not successful in that market. Domain redefinition aims to have first mover advantage in that new market.

We find the classifications of Birkinshaw (2003 in Burns, 2008, p.13-14) and Thornberry (2001 in Kenney & Mutjuba, 2007, p.75-6), and Covin and Miles (1999 in Dess et al., 2003) interesting because we can see that to a certain extent they are interrelated. Burns (2008) argues that corporate venturing and Intrapreneurship are seen as techniques that bring the market inside and can help stimulating the entrepreneurial transformation since it covers the whole aspects of the organization.

Furthermore, by comparing entrepreneurial transformation to the types mentioned by Covin and Miles (1999 in Dess et al., 2003), it is observable that these types to some extent are also contained within the entrepreneurial transformation, because they cover aspects related to structure, culture, environment, and strategy which is what entrepreneurial transformation is about.

Before focusing on the aspects affecting entrepreneurial transformation, the dimensions that foster CE must be mentioned. In the next section, the success factors of Corporate Entrepreneurship are going to be explained.

### 2.1.3. The Success Factors of Corporate Entrepreneurship:

According to Dess and Lumpkin (2005 in Kenney and Mujtaba, 2007), there are five dimensions which shows that organization is entrepreneurial-oriented: The first dimension is autonomy indicating that employees must be empowered and encouraged to find the innovative products or new internal process. Employees must be supported to create innovative ideas. The second dimension is innovativeness. Organization must invest in research and development. The third dimension is pro-activeness which is related with organization’s willingness of being different by exploiting opportunities. Company must be future-oriented. The fourth dimension is competitive aggressiveness. The organization must both willingly and eagerly engage in a competition and conduct strategies that exploit the opportunities better than other competitors. The last dimension is risk taking which is one of
the most important dimensions for Corporate Entrepreneurship. Company must be aware of business, financial and professional risks associated with CE (2005 in Kenney and Mujtaba, 2007, p.76).


According to Abraham, there are four important corporate entrepreneurship success factors that must exist within an organization (1997 in Kenney and Mujtaba, 2007; Sathe, 1985 in Kuratko and Hornsby, 1999). Figure 3 represents these four factors:

![Figure 3: CE Success Factors, Source: (Adapted from Abraham, R., 1997 in Kenney and Mujtaba, 2007, p.77)](image)

The first factor is **management support** which is about promoting entrepreneurship in the organization. The management support consists of championing the innovative ideas,
providing necessary resources, transparency within organization, being a coach or mentor rather than being a manager. The second factor is autonomy which points out that employees are ready to take risks and failure is tolerated by management. This factor must be strengthened by the organizational structure which facilitates the implementation of ideas. The third factor is reward and reinforcement. The effective reward system will enhance entrepreneurial behavior in organization and help employees to take risks. Both extrinsic (monetary) and intrinsic (recognition) rewards motivate employees to be more entrepreneurial. The last factor is time availability. There must be flexible time constraints which let employees to deal with a long term problem. (Echols and Neck, 1998; Kuratko et al. 1999)

As a whole, it can be seen that corporate entrepreneurship success factors are highly related with entrepreneurial transformation mentioned in the types of corporate entrepreneurship. It can be understood that management support is highly related with leadership and culture (being a coach or mentor rather than being a manager) and structure (championing the innovative ideas, providing necessary resources, transparency within organization); autonomy is also related with structure; reward and reinforcement system can be stipulated by organizational culture, structure and leadership while time availability can be induced by both leadership and organizational culture.

In the next section, the factors of entrepreneurial transformation are going to be explained in detail.

2.2. Entrepreneurial Transformation within organizations:

As it is mentioned above; in order to have successful Corporate Entrepreneurship (CE), large organizations must add the success factors of CE to their whole system which is related with entrepreneurial transformation. According to Burns (2008, p.18), entrepreneurial transformation is about adaptation of entrepreneurship to large firms by changing their structure, strategy, system, leadership and culture to cope with change and innovation. He identifies strategy, leadership and management, culture, and structure as necessary elements to achieve entrepreneurial transformation. These elements are which
are heavily relied on organization rather than individual (entrepreneurs). In addition to these elements, institutional field can be seen as one of the element that affects corporate entrepreneurship strategy because while companies are defining their strategies, they have to think both company and company’s environment that company exists in. Figure 4 summarizes these elements and shows how they influence the Corporate Entrepreneurship strategy within an organization.

As it is shown in the figure above, there are five elements that influence the entrepreneurial transformation within organization; Leadership and Management, Organizational Culture, Organizational Structure, Corporate Strategy, and Institutional Field. All these elements are strongly interrelated and have a strong influence on each other. In order for a successful entrepreneurial transformation within an organization, all the elements must be taken in consideration, simply because they support each other. Having a weak link in the entrepreneurial transformation elements will lead for an ineffective and
inefficient entrepreneurial transformation within any organization. Leader and management set the road for the transformation and eliminate the dysfunctions within the organization which prevent entrepreneurial behaviors (Burns, 2008; Kuratko and Hornsby 1999), and the culture, structure and institutional field is what support this transformation. The strategy is what maintain and foster the success of the transformation in the later stages. The figure 4 shows an intertwined relationship where all the elements are connected in a way and not as a procedural process. In next sections, the five elements are going to be explained one by one in further details.

2.2.1. Leadership & Management:

One of the aspects that affect CE is management and leadership. Burns (2008) discusses the relationship between management and leadership. He states that although they go hand in hand with respect to skills and competencies, there are still some critical differences that could be addressed; Management could be seen as the mechanics of the organization, while its leadership functions as the brains. Burns (2008) emphasizes mainly on the roles of each and state that Management is concerned with execution and handling of complex organizational tasks and processes mainly concerned with efficiency and effectiveness. Compare to management; leadership is concerned with broader principles related to communication, motivation, and setting goals and direction and particularly change.

According to Kuratko and Hornsby (1999), the new corporate revolution represents an appreciation for a desire to develop entrepreneurial leadership within the organization structure; in other words in-house entrepreneuring development, or face stagnation, loss of personnel, and decline. In order to do so, effective entrepreneurial leaders strive to construct, define and gain commitment to values and beliefs they try to integrate in the organization they work in. These shared values and beliefs incorporated within the vision and mission of an organization are what make the essence of its culture that binds the organization all together (Burns 2008). The shared vision and values are the desired future state that the organization is striving to achieve thus its acts as a powerful and effective motivational tool. However, in order to create an entrepreneurial culture based on motivation and strive to achievements, entrepreneurial leaders need more than just a
promising vision (Burns 2008). They need to create a management team that enforce this entrepreneurial culture; a flexible adaptable team that is able to operate under extreme changing environments and to handle risk and uncertainty.

Moreover, Kuratko and Hornsby (1999) emphasize on this topic and state that specific elements for entrepreneurial leaders need to be recognized first for a corporate entrepreneurship strategy to be induced effectively and efficiently. These elements are:

- Developing the Vision.
- Developing Innovation.
- Developing Venture Teams.
- Structuring for an Entrepreneurial Climate.

Kuratko and Hornsby (1999) also emphasize on the vision as the first element needed to induce an effective and efficient corporate entrepreneurship strategy. A shared vision that is supported by top management that reinforces innovation and entrepreneurship is what the second element needs to be achieved. Without a vision that is supported by the leadership in the organization, innovation is not achievable. Moreover, the third element is venture team similar to what Burns (2008) defines as management teams who have the potential for stimulating innovation and creativity within the organization. The final and most critical element that Burns didn’t emphasize on is structuring for an entrepreneurial climate. And what Kuratko and Hornsby (1999) mean by the entrepreneurial climate is the innovative environment that allows new ideas to flourish.

In order to deeply discuss the role of leadership in creating the entrepreneurial climate, the transformational leadership theory needs to be discussed briefly. According to the transformational leadership theory, transformational leaders’ behavior does not depend on a traditional exchange relationship between leader and follower (Bass, 1990). Their behavior is based on personal value systems that are not negotiable; they modify their followers' goals and aspirations to be aligned with their goals by demonstrating: 
**idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration** (Bass, 1990). Bass states that transformational leadership is needed to "broaden and elevate the interests of ... employees, generate awareness and acceptance of the purposes and missions..."
of the organization, and stir the employees to look beyond their own self-interests for the good of the overall entity" (1990, p. 19). Between the four elements used by transformational leaders to influence followers bass discussed, we are interested in the inspirational motivation which mean the ability to develop and communicate a convincing and attractive future vision. This vision is not only materially based but offers challenges and meanings (Bass, 1990 in Felfe, 2004). Humphreys (2005) also emphasizes the role of transformational leadership and state that it is more suitable for a dynamic external environment, where employees are empowered with greater responsibility and encouraged to innovate, initiative and take risk.

Comparing Bass (1990), Kuratko and Hornsby (1999), and Burns (2008) brings us to the point that it is observable that they all agree on the importance of developing a shared future vision that align the goals and objectives of the leadership with all parts of the organization. They all emphasize on the influential role it has in stimulating the entrepreneurial strategy needed to flatten the way for flexibility and adaptability needed for innovation especially in a dramatic changing business environment.

Furthermore; the leadership style and the level of commitment and support they choose to employ defines to what level the entrepreneurial climate could be achieved. However, according to Burns (2008, p.105) quoting Richard Branson, “there is no single best leadership style”. It always depends on many different factors such as the leader, group, task, and situation, or even the context they are in; similar to the ideology the contingency theory discuss (Burns, 2008). The theory emphasizes that there is no best way to mange or lead in an organization.

One of the examples Burns (2008) discusses is the managerial grid which was developed by Blake and Mouton. This model classifies the managerial styles upon leadership concern toward task compared to the concern for people. Figure 5 summarize and explains these styles. It classifies them into five types: Impoverished Management, Country club Management, Middle of the road Management, Team management, and Authority-Compliance Management.
Nevertheless; if the organization desires to stay entrepreneurial, certain styles will not be appropriate such as autocratic or dictatorial- where the leadership dictate what is needed to be done without given any kind or decision making authority to the management team or impoverished management that has low concern for both the task and the group, because it is hardly leadership at all. On the other hand; the organization must encourage the consultative style- where the leadership shares its high level of authority with the management team supervising the decision making process, and if the number of employees in an organization increase, concern for the group must increase and move toward the group and thus team management.

Figure 5: The Leadership Grid (Source: created by the authors, adapted from: Blake and Mouton, 1978 in Burns, 2008)
Burns also discusses how managers behave in situations involving conflict in order to obtain the best effective and suitable results (2008). Based on the Thomas-Kilman Conflict modes questionnaire, behavior can be classified under two important dimensions which are **Assertiveness** - the extent to which individuals satisfy their own needs, and **Cooperativeness** – the extent they attempt to satisfy the needs of others. Thomas and Kilman come up with five behavioral classifications that individuals can be identified with: **Competing, Accommodating, Avoiding, Collaborating, and Compromising**. Figure 6 explains these classifications in more details. (Burns, 2008, p. 99)

**Figure 6: Thomas-Kilmann Conflict Modes** (Cited from Burns, pg. 99, 2008, adapted from: Thomas and Kilmann, 1975)

Furthermore; according to the matrix provided above on how to behave in situations involving conflict, each style has its advantages and disadvantages and can be effective in different situations. However management teams tend always try to resolve conflict through **collaborating** or **compromising** approaches. Collaborating deals with finding alternatives that meet everyone’s concerns, and compromising the “in between” diplomatic route (Burns, 2008, p.99). Both approaches are assertive and co-operative, thus using informal influence to get their ideology implemented within the organization and its culture.

### 2.2.2. Organizational Culture:

Organizational culture is another important aspect that affects corporate entrepreneurship. According to Sackmann (1991 in Dimitratos and Plakoyiannaki, 2003),
many researches see organizational culture as cognitive framework which consists of values, beliefs, norms, meaning systems, patterns of thoughts. Organizational culture influences the expectation of organizational members to each other and their expectations of external interaction with suppliers, customers, and external environment (Ireland, Hitt, & Sirmon, 2003).

Parboteeah (2000 in Kenney et al., 2007) claims that developing and nurturing an entrepreneurial culture will help a company to find innovative solutions and sustain strategic competitive advantages, that is why Dess et al. (2005 in Kenney et al., 2007) recommend companies to check their culture if they have an entrepreneurial orientation. According to Ireland et al. (2003, p.970), an effective entrepreneurial culture must dedicate itself to ‘the simultaneous importance of opportunity-seeking behavior and advantage-seeking behaviors’, culture must promote innovative ideas and learning, encourage risk-taking activities while accepting the failure, and must be open to continuous change.

Furthermore, the dimensions of culture created by Hofstede help to characterize an entrepreneurial culture in the organization (Burns, 2008). First dimension is individuality versus collectivism. It is about the level of preference to work as individuals or groups. According to Burns (2008), entrepreneurial culture must be based on collectivism rather than individuality in larger organizations. The establishment of relationships and networks within the organization will result in a strong sense of in-groups with the feeling of competition against out-groups (competitors). The second dimension is power distance, which is about “the degree of in equality among the people that community is willing to accept” (Burns, 2008, p.116). Hofstede (1981 in Burns, 2008) claims that while lower power distance encourages the egalitarianism that stimulates flat structure, open relations and unrestricted information flow, higher power distance support hierarchical structure. Burns (2008) indicates entrepreneurial culture involves lower power distance. The third dimension is uncertainty avoidance, which is about the degree of people’s tolerance for complexity and uncertainty. While higher uncertainty avoidance stresses rules and procedures, rewards the compliance to these roles, lower uncertainty avoidance tolerates complexity, encourages flexibility, risk taking, initiative decision-making. Burns (2008) claims that low uncertainty avoidance is suitable for CE. The final dimension is masculinity and femininity. While
masculinity is based on financial and material achievements and competition, femininity focuses on relationships and cooperation. According to Burns (2008), CE must find a balance between masculinity and femininity. They have to establish one culture that focuses on achievements against competitors through networks and cooperation within organization.

On the other hand, Beer, Eisenstat and Spector (1990) claim that while corporate culture is one of the aspects that help to establish corporate entrepreneurship in large organizations, Cultural Revolution by itself is not enough to achieve successful revitalization. The management must analyze every field of organization including its structure, strategy, leadership because culture correlates every field of organization. Leaders have to find out the sources of the problem and they have to make changes where it is necessary.

2.5.3. Organizational Structure:

One of the other factors that stimulate entrepreneurship in a company is the organizational structure. Large companies have realized that to survive in today’s conditions which are rapid and sociological changes, they have to create a structure that stimulates creativity and innovations (Sapolsky, 1967 in Livesay, 1995; Sinetar, 1985 in Livesay, 1995; Beer et al., 1990; Burns, 2008). However Sapolsky (1967 in Livesay, 1995) and Burns (2008) claim that there are no basic guidelines about one perfect structure that is suitable for every organization.

According to Echols and Neck (1998), it is necessary to redesign structure to foster corporate entrepreneurship. Managers must structure organization as flat as possible and support it with entrepreneurial culture. New structure must support entrepreneurial behaviors. They analyzed three specific categories of entrepreneurial behavior which must have been addressed by management while changing structure. The first category is detection of opportunities which requires transparency in the organization, external and internal networks and easy access to firm’s information. The second category is opportunity facilitation which demands supportively competition among firms and support from managers as coaches or mentors. Final category is the motivation to pursue opportunity. Managers must consider rewarding their employees for their entrepreneurial behaviors. (Echols et al., 1998, p.40-41)
The most suitable structure depends on the nature of the organizations, the strategies employed, the task that they operate, the environment that they exist in and the size (Burns, 2008). Size is one of the most important factors for defining the structure. In recent years, as entrepreneurship becomes an important key success factor for the business, small firms gain a competitive advantage over large firms because of their flexible structure which enables better communication, greater delegation of authority and faster decision making. Nowadays, large firms are downsizing or deconstructing themselves to be entrepreneurial (which is the breaking of the organization down into smaller units) (Burns, 2008, p.137). The following trends are indicated by Pettigrew and Fenton (2000 in Burns, 2008, p.138): decentralizing, de-layering, outsourcing, down-scoping, using project forms of organizing, developing strategic alliances, communicating horizontally as well as vertically, investing in IT, and the application of new HR policies.

Furthermore, organizational structure is obliged to change as the organization grows (Greiner, 1972 in Burns, 2008; Morris, Allen, Schindehutte & Avila, 2006).

But the traditional large firm structures are not suitable in this complex turbulent world due to their mechanistic, rigid and bureaucratic system. If the firms face with complex tasks, the most appropriate structure is organic structure. According to Miller’s definition (1986 in Burns, 2008, p.143), organic structure is limited hierarchy and highly flexible structure. It consists of many teams and series of spider-web organizations. Power is delegated among organization and authority comes from expertise. The organization comprises small units, which have different structures. These structures enable open, quick and better communication (Burns, 2008).

However, as the competition is getting fierce due to increasing complexity and change becomes a constant factor, the traditional structures are inadequate to explain how companies really function. Knowledge becomes an important factor for competitive advantage. Fenton and Pettigrew (2000 in Burns, 2008, p.147) describe three new forms of organizations: Networks and socially embedded firms, the knowledge firms in the knowledge economy and the globalizing firms and its changing boundaries. Network structure enables organization to have an access to resources that they do not have. This structure consists of many personal relationships based on mutual trust, self-interest and reputation rather than
hierarchy and power structures. Organization can have internal and external networks that enable the information flow and knowledge gathering (Burns, 2008, p.147-148). Knowledge firms are generally based on learning organization in which there is no specific structure. There is a high degree of integration, which is strengthened by strong culture. Also, strategic alliance is one of the important topics for corporate entrepreneurship. It can be both internal and external. Strategic alliance creates a structure for cooperation. It facilitates transfer of knowledge and the creation of learning organization, which is important to produce new innovations (Burns 2008).

2.5.4. Corporate Strategy:

The strategic management along with entrepreneurship focuses on how firms create and manage change. How? By identifying opportunities in their external and internal environments and developing competitive advantages to exploit them to create profitability or wealth (Hitt, Ireland, Camp & Sexton, 2001; Ireland et al., 2003). Moreover, Ireland et al. (2003) conclude that combining effective opportunity-seeking behavior (entrepreneurship) and effective advantage-seeking behavior (strategic management) is the way for organizations to create wealth and profitability. And if we look at CE, we observe that CE strives to create an entrepreneurial strategic management approach by integrating entrepreneurial activities within all parts of the organization, thus combining the opportunity-seeking behavior with the advantage-seeking behavior.

Long-term strategies that enhance entrepreneurial activities and behaviors within the organizations are crucial and important for entrepreneurial organizations. Simply because, it is the strategy that enforces and supports all the previous aspects that were mentioned in the theoretical framework (leadership, culture, and structure). With a long term strategy they will be much more efficient, thus beneficial to the organization's objectives and goals.

However, what is more important than the strategy is the strategic process; in other words how this strategy puts into place and how it evolves as the organization faces new critical circumstances or even new opportunisms. As we mentioned in the earlier section, vision is really important in setting the mission and strategy that the organization wants to implement. However; unlike the vision, setting the strategy is an incremental process and
always question to change in order to maintain maximum flexibility and adaptability to the changing business environment surrounding the organization. Burns states that “effective strategy must be rooted in the distinctive capabilities of the firm” (2008, p.227). That’s why developing a strategic framework to follow is a major step needed to be done for implementing a successful and sustainable strategy. Moreover; Burns mentions that the strategic process involved four stages (look figure 10.1 for a detailed diagram, 2008, p. 203). These stages consist of:

![Figure 7: The Stages of Strategic Process, Source: created by the authors, adapted from Burns, pg. 203, 2008)](image)

According to Burns (2008), those stages will be implemented incrementally in this order. 1st the vision will be set, and then the strategic analysis stage will begin. This stage involves highlighting the core competencies of the organization by undertaking a typical SWOT analysis. Once then stage is completed, the next stage which is the strategy formulation will be beginning. In this stage, the organization’s strategic options will be analyzed, identified, evaluated, and then selected. And finally once strategy is formulated, the next stage begins where this strategy will be implemented and put into action. In this stage the organization will plan and allocate resources, set its structure, and manage change. (Burns, 2008)
Moreover, Burns (2008) stresses that each organization set different strategy that it is able to sustain and possible to achieve. He emphasizes that generic strategies such as low cost or differentiation are not enough to achieve a sustainable competitive advantage. Organizations need to add value to what they deliver to their targeted customers and be as unique as possible, and this is what makes them achieve this competitive advantage that is hard or even impossible to copy. Low cost or even differentiation strategies will work as long as there is no competition, and in the business environment, this is not realistic at least not on the long run.

2.4.5. Institutional Field:

While organizations are defining their strategies, they have to consider both the micro level of the individual company and the macro level of the organizational field (Schwartz, 2006). The Institutional Theory addresses the question of macro level. Institutional theory claims that organizations are not only technical but also social phenomena and their structure and processes are influenced by the environment that they exist in (Westney, 2005). There is a social interdependence between organizations and environment.

According to DiMaggio and Powell (1991, p.64-66), “organizations are embedded in organizational field, which establish the accepted area of institutional life; customers, regulative agencies, key suppliers, other companies that produce the similar services or product”. Institutions are created when the organizations in the organizational field interact with each other. Also, the institutional creation, recreation and change are the result of actions of organizations (Schwartz, 2006). Once organizational field is structured, the powerful companies emerge and the organizations become more similar to each other. The process of homogenization is called isomorphism which is the effort of companies to imitate their structure and their processes to the structure prevailing in the other organizations within the relevant environment (Westney, 2005). Di Maggio and Powell define three types of institutional isomorphic change (1991, p.67). Coercive Isomorphism that stems from formal and informal pressure exerted on organizations by other organizations or regulative agencies in the relevant environment and by the cultural expectations of society in that environment. Second mechanism is Mimetic Isomorphism, which stems from uncertainty. When goals are complex, technology is hardly understood and environment is dominated by
uncertainty, organizations imitate other organizations’ structure, which is defined successful in that kind of environment. Final mechanism is the normative one that is based on professionalization. The professional group or organizations (like universities, professional and trade associations) championed the “appropriate” organizational patterns (Westney, 2005, p.48).

According to organizational theory, one of the important concepts for the organizations is legitimacy. Organizations are trying to be legitimate through their actions in order to access the financial resources or not to be questioned by the customer and media (Schwartz, 2006). However, institutional legitimacy and political power are also important for organizations. They try to be consistent within their self and also with the environment. According to Suchman (1995 in Schwartz, 2006, p.5), there are two important types of legitimacy for organizations; pragmatic legitimacy which is self-interested calculation of an organization’s most immediate audiences and moral legitimacy which focuses on judgments about “doing right things”. If the patterns of one organization become institutionalized, their legitimacy will increase. This will help organizations to control both their external and internal environment.

Schwartz (2006) also underlines the importance of micro level of organizations. While macro level shows how companies are affected by environmental changes, micro level shows how organizations translate the new challenges into practice. Zucker (1991 in Schwartz 2006) also claims that different internal institutional processes within the organizations are the reason of the variation in strategies for the same topic in the relevant environment. These variations in strategies stem from different history, past experiences and managers perceptions. Schwartz (2006) explains different strategies with institutional automorphism which means that when organizations face challenges occurred from environmental changes, they imitate themselves by employing their past successful strategies in their organizational field.

As a result, to understand how entrepreneurial organizations are created, sustained and developed, it is important to focus on macro level by looking at institutional environment and the micro level by looking at management, leadership, structure, culture and strategy.
3. Research Design:

In this chapter, the methods used to collect information for this research are going to be discussed. We review how the process of collecting data was undertaken and we also discuss potential shortcomings of our research methods.

3.1 Research Method:

According to Fischer (2004), there are two types of research methods that researchers can use: qualitative and quantitative method. While a qualitative method includes interviews, documentary exegesis and deals with words, a quantitative method comprises of questionnaires, surveys and databases and deals with numbers. Bryman and Bell (2007) add that quantitative research’s aim is generally to test the theories by looking the relationship between theories and research. They apply scientific tools to reach objective results while they are testing the theories. Finally, the knowledge that they arrive is the objective reality that it can be accepted by wider population. The qualitative method aims at generation of theories while looking at the relation between theories and research. This method rejects the objective reality and emphasizes on the way of interpretation of results. Finally this method rejects the generalizations because of different individual perceptions which influence the results (Bryman and Bell, 2007).

For this study, the suitable unit of analysis is one of the members of management team, since all three research questions are related to actions taken by Daimler management team to be more entrepreneurial. Qualitative method is a better tool for evaluating the research questions. Qualitative method helps researchers to understand human behavior in depth and the reasons behind the behaviors (Denzin & Lincoln, 2005; Marshall & Rossman, 1998). It examines human behavior from many aspects: why, when, where, what and how. One of the advantages of qualitative method is its sampling size which is purposive rather than random sample (Denzin & Lincoln, 2005; Marshall & Rossman, 1998). In our case, qualitative method helped us analyze Daimler AG in better depth as a main topic for our study. It also helped us to figure out if the actions taken by
Daimler are entrepreneurial, and induce CE within their organization, and if these actions help Daimler to survive in this crisis situation.

However there are many different disadvantages of qualitative method. According to Bryman and Bell (2007), there are many factors that influence qualitative research. One of the factors that influence research is the researcher’s values which are either personal beliefs or feeling of a researcher. The researcher can unsystematically interpret the results like what is important. The results can be subjective because the researchers may have sympathy to the respondent and they do not want to write bad things about respondent. Furthermore, Bryman and Bell (2007, p.30) claim that the research cannot be value free because the prior knowledge, past experiences and attitudes of researchers are going to influence the researchers’ perception of how they see things but also what they see. Another concern is the generalizability of qualitative study because of its purposive small sample.

Since there is a risk that the researcher cannot be value free and objective while interpreting the results, we will try to be as objective as possible while interpreting data collected after interviews by minimizing the attitudes and personal beliefs we have. We will try to be open and receptive to new ideas and perspectives.

Furthermore, our goal is not to have generalized conclusion for wider population. The conclusion aims at increasing the awareness of Corporate Entrepreneurship. We expect that our conclusion that we will come up will be further investigated and tested by other researchers.

According to Marshall and Rossman (1998), there are four methods for gathering information: participation in the setting, direct observation, in depth interviews and analysis of documents and analysis of documents and materials. We will aim to collect both primary data through interview, and secondary data related with Daimler and corporate entrepreneurship which is obtained through Daimler website and relevant reports, academic journals, university database, books and relevant websites.
3.2. Primary Data:

Primary data is an initial data collected by researcher during research which can be collected by using many research methods including interviews, surveys, panels, observation (Fischer, 2004; Baines, Fill and Page, 2008). For this study, interview with Mark Raine will be used as a primary data.

3.2.1. Interview:

According to Fischer (2004), interviews are one of the qualitative methods that researchers can use it for data collection.

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*Figure 8: Unstructured and structures approaches to the main research (Fischer, 2004 p.133, Table 4.1)*

According to figure created by Fisher (2004, p.133), interviews can be conducted in an unstructured or structured way. In an unstructured way, researchers only engage in informal conversation with interviewee by asking open questions. In a semi structured interview, the researcher has a guideline of topics that has to be covered by the interviewee. Researcher will look for the critical incidents which are experienced by respondent. In a structured way, researchers have a prepared script of questions which must be asked in a logical sequence and is included series of options. In the case of this research, the interview will be in a semi structured manner. Interview questions consist of both open and close questions. By asking open questions, we aim to gather new information that we did not think about while preparing our questions. The aim of interview questions is to learn about the corporate entrepreneurship (CE) strategy of Daimler AG and if this CE strategy is a solution for the crisis situation. The questions have been prepared to understand how entrepreneurial behaviors are facilitated by changing strategy, leadership and management style, culture and organizational structure *(such as Question 5: What are some of the difficulties that Daimler...*
management face in establishing an entrepreneurial environment (please take in consideration Daimler’s culture, structure, institutional field, and strategy)?; how institutional environment such as competitors, regulative agencies, customers affect Daimler AG’s corporate entrepreneur strategy (such as Question 12 :How do Daimler’s competitors, customers and governments in Daimler’s operations affect the corporate entrepreneurship activities?); and if the corporate entrepreneurship induced in Daimler AG is efficient tool to survive in this financial crisis (such as Question 3: How important is it for Daimler to create an entrepreneurial environment within their organization especially with the current economic conditions?). The rest of the questions can be found in Appendix part.

The interview questions will be composed of context and process variables.

Since the research questions are related to strategies about how to induce CE to organizations, the interview has been conducted with Mark Raine, who is the member of Daimler management team, Manager of Sales Planning and Product management in Mercedes-Benz Cars Daimler Middle East & Levant FZE in coordination with Strategic Management Office in Stuttgart, Germany. The interview has been done through e-mail. There are many advantages of using e-mail interviews as a research method. According to Opdenakker (2006), the e-mail interview makes the communication process slower and
allow respondent to have substantial time to answer the questions. This will lead the respondent to think about each question and collect data about questions that respondent has no or few knowledge. Furthermore, e-mail interview allow respondent to answer question when the time and location are convenient to them which eliminate disturbing noises and elements around respondent. Opdenakker (2006) also adds that e-mail interview can be beneficial to overcome language if the respondents’ level of speaking is low but high in writing. Another advantage of e-mail interview is that it is cheaper than other types of interviews. The Interviewer does not have to travel to interview place and use data recorder to record interview. The interview transcript will be saved as word documents which can be reached easily by researcher. By taking into consideration of these advantages, we chose e-mail interview, because e-mail interview let our respondent to have sufficient time to answer questions when he is convenient. Furthermore, we thought that e-mail interview is cost and time-saving, because we do not have to go to Germany, Stuttgart to Daimler headquarter or Middle East office to make this interview.

Despite many advantages of e-mail interview, there are some criticisms about e-mail interview. Opdenakker (2006) claims that respondent can lose her/his attention to interview due to lack of face to face communication which can cost a lot of time. Since e-mail interview let respondent to answer question whenever they want, they would lose interest and would not answer the questions. Opdenakker (2006) also adds that e-mail interview prevents researchers to have spontaneous answers to questions given by respondent because respondent will prepare himself to questions. The researcher can lose valuable source of information by missing spontaneous answers by respondent. Furthermore, the interviewer cannot catch important visual cues that can be caught during face to face interview. Another disadvantage is the verification of respondent identity. Since the interview is going to be made through e-mail interview, there is a possibility of having answers from his assistant or secretary. Finally, technological level that both sides have can be a problem for e-mail interview.

For the first obstacle, we have got a close contact, Mohammed Tahboub, who is currently working as Senior Specialist Planning and Reporting in Mercedes-Benz Cars, Daimler Middle East & Levant FZE. He helped us to get answers from his manager Mark
Raine. Our close contact reminded the questions to his manager which also solve the problem of identity verification. Furthermore, the obstacle of spontaneous answers and visual cues can be reduced by asking right questions which are exactly related with our research area. Since Daimler AG is one of the leading automotive companies, much critical information related with Daimler AG can be found from reliable secondary data.

3.3. Secondary Data:

According to Cnossen (1997 in McCaston 2005, p.1), secondary data is second hand information gathered by someone else (the other researcher, institutions, governments ...etc.) or for some other reason than the current topic or combination of both.

For this study, secondary data related with Daimler and corporate entrepreneurship has been obtained through academic journals from university database, books and relevant websites. We accessed academic articles through using Mälardalen University’s Electronic Library Navigator by reaching databases of article providers like ABI Inform, Sage Premier. The academic journals have been mainly used for explaining theories about Corporate Entrepreneurship and about articles that used Daimler as a case to support arguments that we created. The key words used to search for articles were ‘Corporate Entrepreneurship’, ‘Entrepreneurial Transformation’, ‘Daimler and entrepreneurship’, and ‘Strategic Entrepreneurship’. The books that we have chosen were used to explain Corporate Entrepreneurship theories. To support our arguments that we have written in theoretical framework part, we have used Daimler Annual Report, Daimler Sustainability Report, Daimler High-Tech Report, and Daimler Integrity Code Report. We also have used Google search engine to reach up-to-date information about financial crisis in automotive industry and Daimler situation in crisis. We have used ‘2008-2009 Financial crisis’, Crisis in Automotive industry’, and ‘Daimler and crisis’ as some of the key words.

**Daimler Annual Report**
- To see overall of picture of what Daimler AG did in a year
- More performance and financial based rather than focusing on activities and managerial practices.

**Daimler Sustainability Report**
- To see their environmental and social concerns and their effect on their innovative ideas
- To be used to understand Daimler’s institutional field and their business activities those are under the influence of sustainability issues.
The importance of secondary data is that it helps researcher to avoid duplication of efforts. Since they are available to public, they are easy to access. Secondary data also is low-cost information gathering method rather than primary data. It also complements primary data. (McCaston, 2005)

Even though, there are many advantages of secondary data, there are some disadvantages too. Without proper interpretation of secondary data by researcher, it will mislead the researchers. Moreover, the researcher can face with bulk of secondary data and the selection process will be longer. The information provided by secondary data may not be reflecting reality and it can be subjective. In addition, since the secondary data is not collected for the same purpose by other researcher, the researcher can be affected by the result of the other researcher which is unrelated with researcher’s topic. (McCaston 2005; Fischer 2004)

While we have been searching for articles, books and documents, we have followed Fisher’s suggestion about selection literature (2004). In case of academic journals, we generally have chosen peer-reviewed journals that are approved by two or more expert referees approved before publication of articles. To reach reliable information (which is explained above, in reliability and validity part) about Daimler, we used known search engine Google and we have chosen websites whose reliability accepted by many people such as The New York Times, Reuters...etc. During selecting books, we have preferred to use books that have been suggested by our instructors during courses.
Furthermore, we have taken into consideration of where these documents come from, which purpose that they have, who write the books. By finding, documents, books and articles relevant to our topic, we have overcome the question of researcher’s bias and interpretation. We also selected our secondary data by putting key words such as ‘Daimler AG’, ‘automotive and financial crises’, ‘corporate entrepreneurship’ which let us shorten the selection process. We try to verify the argument of the documents by comparing the argument of similar documents in a similar field. Finally, we only have chosen the documents that we understand whole paper including its purpose, its conclusion, and its implications.
4. Empirical results

In this chapter we first make a short presentation of Daimler AG. The empirical findings are then presented. We present empirical findings by referring to our main topics during the interviews; annual reports, and the secondary data presented by the reports collected from Daimler and articles and journals gathered from academic databases.

4.1 Corporate Overview:

Daimler AG is one of the leading vehicle manufacturers around the globe. It is considered to be the largest heavy and medium-duty trucks around the world. Their business portfolios extend to cover Mercedes-Benz Cars, Daimler Trucks, Daimler Financial Services, Mercedes-Benz Vans and Daimler Buses (Daimler Sustainability Report, 2009). Daimler will be expanded all over the world, its sales and production facilities cover all nearly all the countries of the world.

Considered to be an automotive pioneer, Daimler global strategy strives to achieve and maintain sustainable growth, innovativeness and social responsiveness toward and the society as well as the environment, and aim to stay committed to delivering breakthrough technologies and high quality products. Some of the well known brands Daimler are managing at the current time are Mercedes-Benz, as well as smart, AMG, Maybach, Freightliner, Western Star, Mitsubishi Fuso, Setra, Orion and Thomas Built Buses (Daimler Sustainability Report, 2009).

Headquartered in Stuttgart, Germany, Daimler employs 273,216 and 9,300 trainees at the end of 2008. Annual reports provided by the company shows that it has €135.1 billion in total assets with market capitalization: About € 67.4 billion. It had sold 2.1 million vehicles in 2008, a year considered to be rough on the automotive sector in specific and the whole world economy in general (Annual report, Daimler AG, 2008). In august 3rd 2007 Daimler AG agreed to transfer 80.1% interest in the Chrysler Group and the related Chrysler financial services business in the NAFTA-region to Cerberus Capital Management L.P. private
subsidiary (Cerberus), retaining only a 19.9% non-controlling equity interest in Chrysler Holding LLC, a newly established holding company for the Chrysler activities. With this strategically move, Daimler-Benz Aktiengesellschaft and Chrysler Corporation separated their combined respective businesses including stockholder groups, managements and other constituencies, and changing their name from DaimlerChrysler AG to Daimler AG (Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act OF 1934 for the fiscal year ended December 31, 2007, 2008)

4.2. Daimler’s Portfolio

Daimler’s portfolio consists of four main divisions; Mercedes-Benz Cars, Daimler trucks, Daimler financial Services, and the final division consist of vans, buses, and other. Figure 10 summarizes the division and their sub divisions under them.

![Figure 10: Daimler Business Portfolio, source: (Annual report, 2008, p44)](image)

The Mercedes-Benz Cars Division production is mainly located in Germany. It has also production facilities in the United States, France, South Africa, Brazil, India, Vietnam, Indonesia and China (Annual Report, 2008). In total Mercedes-Benz Cars division has 17 production sites worldwide, and a new plant in Hungary, which is to go into operation in 2012. In 2008 Germany occupied the biggest market for Mercedes-Benz division with 26% of unit sales, then Western Europe with 31%, the United States with 20%, China and Japan comes after with 4% and 3% consistently (Annual Report, 2008).

The Daimler Truck Division has 15 important production sites in Germany, Turkey, Brazil and the NAFTA region. In 2008, 48% of the unit’s revenue was generated in Western Europe, 15% in the NAFTA markets and 19% in Latin America excluding Mexico (Annual Report, 2008).
The Vans, Buses, Other Division primarily consists of the Mercedes-Benz Vans and Daimler Buses units which responsible for the buses and light vans production, in addition it had shares in the European Aeronautic Defense and Space Company (EADS), Tognum AG and Chrysler Holding LLC (Annual Report, 2008).

The Daimler Financial Services Division which main objective is to support the sales of the Daimler Group’s automotive brands in more than 40 countries. Its offers tailored financing and leasing packages for customers and dealers, insurance, fleet management, investment products and credit cards (Annual Report, 2008). The main areas of the division’s activities are focused on Western Europe and North America. Moreover, this division holds a 45% interest in the Toll Collect consortium, which operates an electronic road-charging system for trucks over 12 metric tons on highways in Germany (Daimler Annual Report, 2008; Toll collect, 2009).

To get an overview on Daimler AG overall performance, the 2008 annual report published by Daimler shows a total revenue of €95.9 billion, 49% was generated by Mercedes-Benz Cars, 27% by Daimler Trucks, 9% by the Daimler Financial Services division, and 15% by the Vans, Buses, and Others division. Figure 11 shows the percentile of each division in a pie chart.

<table>
<thead>
<tr>
<th>Division</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mercedes-Benz Cars</td>
<td>49%</td>
</tr>
<tr>
<td>Daimler Trucks</td>
<td>27%</td>
</tr>
<tr>
<td>Daimler Financial Services</td>
<td>9%</td>
</tr>
<tr>
<td>Vans, Buses, Other</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Figure 12: Consolidated Revenues by division, Source: (annual report, 2008, p43)*

4.3. Daimler Strategy:

Daimler sees itself as the pioneers of the automotive industry, and its main objective is to continue this contribution in the future. According to the Annual report published in 2008, Daimler reviewed their strategic focus adjusted it to the new situation they are facing
currently; their goal is to instigate their main customers with products that set standards in the areas of design, safety, comfort, perceived value, reliability, environmental compatibility, and outstanding service solutions related to these products (Daimler Annual Report, 2008).

4.3.1. The Daimler Target System:

Daimler long term objective is to achieve a sustainable profitable growth in all their divisions that will eventually increase the total value of the Group; Daimler AG. In order to achieve this sustainable growth, Daimler has defined a strategic framework that set the guidelines for achieving their target in all their divisions. This strategic framework is explained in the diagram below.

In Daimler point of view, corporate culture is the most important element among the keys to top performance, profitable growth and success (Daimler Integrity Code, 2007, p.3). Daimler Board of Management defines four important values that corporate culture is based on: Passion, Respect, Integrity, and Discipline. Daimler Board of Management sees these values as a way to create a framework for orientation which will promotes teamwork and exemplary behavior within Daimler (Integrity Report, 2007, p.3).

Clearly these four key values are important for Daimler strategy in achieving the profitable growth. On top of these values, six strategic dimensions are based as shown in the diagram. These dimensions are: high performing, inspired people, operational excellence,
super products and customer experience, leading brands, innovation and technology leadership, and last global presence and network (Daimler Annual Report, 2008, p46). Daimler sees these strategic dimensions as the means to achieve the profitable growth they are striving for. We will define and clarify these strategic dimensions and how Daimler focuses on them in the next section.

4.3.2. Daimler Strategic focus Areas:

In order to achieve the strategic dimensions placed within the framework of the Daimler target system, Daimler has laid down four strategic focus areas as a part of their future strategy. They have established processes in all operations that will align the Group with the four strategic focus areas and developed a shared culture; Daimler Calls it “a culture of excellence” (Daimler annual report, 2008, p.47). These focus areas are mainly concentrating on:

- Operational excellence and a high performance culture.
- Expansion of core business in traditional market segments and utilization of new opportunities on a regional basis.
- Further development of innovative and customer-oriented services and technologies.
- Development and innovation of new businesses in related areas.

According to Daimler Integrity Code (2007), integrity is a prerequisite for applying Daimler corporate culture because it defines the proper behavior in daily basis. To develop a shared culture within organization, Daimler provides some standardized, practical and logical support with its Corporate Policies and Guidelines.

4.3.2.1 Operational Excellence and a High Performance Culture

The first focus area Daimler places is operational excellence and a high performance culture. The goal of this focus area is to produce high quality products with the maximum efficiency possible. In order to achieve this target, Daimler uses opportunities of standardization and modularization for a better productivity level, and establishes clear structures and flexible processes in their business operations (Daimler Annual Report, 2008). the GoFor10 program at Mercedes-Benz Cars, the Global Excellence initiative at Daimler Trucks, Captive #1 at Daimler Financial Services, and Creating the Next in the Vans and buses
business unit are examples of the current projects Daimler working on in different units of the organization (Daimler Annual Report, 2008).

Daimler’s current actions taken seem to be productive and show promises. The Untertürkheim plant received the 2007 “Manufacturing Excellence Award” with 1st place overall (MX Manufacturing Excellence Awards, 2007). Additionally, The Mercedes-Benz plant in Sindelfingen was awarded J.D. Power’s Platinum Award as the manufacturing plant with the best quality in the world (J.D. Power and Associates Initial Quality Study, 2008). This Award is given for producing vehicles yielding the fewest defects and malfunctions. The same study shows that three models Daimler is currently producing managed to get superior reviews in the “Top Three Models per Segment section” (J.D. Power and Associates Initial Quality Study, 2008). Moreover; a considerable progress in administrative areas appears to be promising also. The management model implemented by Daimler appears to improve administrative efficiency and achieved savings of €1.2 billion comparing 2008 numbers with the situation in the year 2004 (Daimler Annual Report, 2008). This new management model reorganizes structures and processes to facilitate the focus on the core automotive functions. With the backdrop of the global financial crisis, Daimler is obviously focusing on improving efficiency as a key strategic focus in all areas of the Group.

Daimler strongly believes that in order to achieve the implementation of a high performance culture they need to have an important element: highly motivated and high-performing employees (Daimler Sustainability Report, 2008). We can see that in the framework they present. The highly motivated and high-performing employees serve as a supporting foundation for operational excellence and the four dimensions. In 2007 Daimler initiated a wide-ranging Excellence Process throughout the Group. The main objective of this process is aligning the actions of the employees closely to the corporate goals (Daimler Sustainability Report, 2008). Daimler strives to reach an employee mindset that is aware of its contribution to the organization success, and focus on success and customer satisfaction.
4.3.2.2. Expansion of Core Business and Utilization of New Opportunities

The second focus area Daimler working on concentrates on two important factors; the expansion of core business in traditional market segments, and utilization of new opportunities on a regional basis. Daimler believes that in order to continue growing in traditional market segments; they need to maintain their superior products and excellent customer services (Daimler Annual report, 2008). Several prizes demonstrate the successful the market position they managed to accomplish in this field. In June 2008, Mercedes-Benz received two Gold Awards in the J.D. Power quality survey for the best vehicle quality (J.D. Power and Associates Initial Quality Study, 2008). The emergency braking assistance (Active Brake Assist) of the Mercedes-Benz Actros was awarded ADAC’s “Yellow Angel” prize and the European Safety Prize. Mercedes-Benz and Setra buses unit received the “Best Bus 2007” award in their respective class. In the United States, J.D. Power awarded Mercedes-Benz Financial first place among the captive financial services providers (Daimler Sustainability Report, 2008). Furthermore, they received DEKRA Environmental Prize awarded to the Mercedes-Benz city bus Citaro BlueTec Hybrid (Mercedes-Benz Hybrid Bus Receives the 2008 DEKRA Environmental Prize, 2008).

As we mentioned earlier, this focus area concentrates not only on traditional markets but also on utilization of new opportunities on a regional basis. Daimler is putting a lot of effort in enhancing their position in new future markets with specialized tailored products for each market (Daimler Annual Report, 2008). The joint venture between Daimler Buses and India’s Sutlej Motors (Daimler Buses in India: Launch of new Mercedes-Benz Coach in Cooperation with Sutlej Motor, 2008) has already shown some good promises and started delivering in the third quarter of 2008. Daimler is also closing the deal on a Joint Venture with the Hero Group (Formal Closing of the “Daimler Hero Motor Cooperation” Joint Venture, 2008) for the production of trucks in India. Daimler also acquired a 10% equity interest in Kamaz - Russia’s leading manufacturer of heavy trucks- intending to extend their market position through this strategic Partnership with Kamaz (Daimler Trucks Acquires 10% of Russian Truck Manufacturer Kamaz, 2008).
4.3.2.3. Development of Innovative & Cust.-oriented Services & Technologies

Daimler 3rd focus area is concerned with further development of innovative and customer-oriented services and technologies. This focus area concentrates on the development of innovative technologies along the entire automotive value chain. According to Daimler’s sustainability report (2008), the most practical and efficient way is to utilize innovations in different businesses throughout the Group. Daimler sees the demand on mobility is becoming more important day after day, that’s why they consider as crucial objective that they need not just to achieve, but also to perfect (Daimler Sustainability Report, 2008).

Daimler has set a context that main objective is to work in parallel on several drive technologies to improve their entire product line; they name as the “Roadmap to Sustainable Mobility” (Daimler Annual Report, 2008, p.47). It mainly aims on improving the efficiency of the hybrid drive systems. The hybrid drive systems means on combing fuel sources like combustion, solar, and electrical engines.

Moreover, Daimler has other initiatives like “Road to the Future” initiative working on the car unit and “Shaping Future Transportation” working with the commercial vehicles unit (Daimler Annual Report, 2008, p. 47). Some of the important projects of these initiatives are the BLUETEC diesel technology, BlueEFFICIENCY cars, smart for two electric drive, and a new innovative “DIESOTTO” engines designed to combine the economy of diesel engines with the low emissions of modern gasoline engines (Daimler Annual Report, 2008, p.47). Daimler is clearly considering environmentally friendly mobility as the future for the automotive industry, and they are focusing their innovative resources toward this direction. Daimler believe the key technology for mobility is fuel cells which will allow them to be independent of fossil fuels and sustainable over the long term (Daimler Annual Report, 2008). Currently they have the world’s largest fleet of fuel-cell vehicles on the road. And in the future Daimler is going to expand production to cover the smaller series of cars (Daimler Annual Report, 2008).

The development of innovative and customer-oriented services and technologies is not restricted to technological innovation in the production sector; Daimler is currentlyformulating a kind of cooperation between Daimler Financial Services and the automotive
divisions in parallel to the technological development in the product range (Daimler Annual Report, 2008). Its aim is to expand the range of services they offer in connection with these products, and develop new methods in order to utilize the promising business potential offered by the services sector. One example of this is Omniplus, a bus-specific range of services for the Mercedes-Benz and Setra omnibuses (Daimler Annual Report, 2008).

4.3.2.4. Development and Innovation of New Businesses in Related Areas

The last focus area in Daimler’s framework of commitment to excellence is the development and innovation of new businesses in related areas. Daimler sets this area to benefit from potential work done by the research and development departments (Daimler Annual Report, 2008). Its goal is to develop new business potential ideas that are related to Daimler’s core business areas, and have a prospective contribution to the overall profitable growth. In 2007 Daimler formed The Business Innovation Team that is responsible of developing new business ideas and supporting their implementation. Currently they are working on a new urban mobility concept in Ulm called the cargo (Daimler Annual Report, 2008).

In conclusion, it is apparent that Daimler has set the framework of the target system to focus on six strategic dimensions. These dimensions are: high performing, inspired people, operational excellence, super products and customer experience, leading brands, innovation and technology leadership, and last global presence and network (Daimler Annual Report, 2008, p46). Daimler’s primary focal points are to achieve and maintain their excellence in their business operations, create a high performance culture, continue expanding in old markets, and grasp any opportunity in major growth regions of the world, and finally benefit from their innovation and development accomplishment, and keep it aligned with all parts of their organization.

4.3.3. Daimler Scorecard:

One of the instruments Daimler places to support the implementation of their corporate strategy is the Daimler Scorecard. Daimler believes that it’s the link between the current target system implemented and the operational management of the businesses
(Daimler Sustainability Report, 2008). The Daimler Scorecard serves as an additional management instrument. Its main purpose is to evaluate the progress made towards the strategic goals, and supplement the financial controlling instruments with the application of non-financial performance indicators.

4.3.4. Daimler Innovation Management:

Daimler believes that innovation is the key for them in the future to sustain their competitive advantage and maintain their future profitable growth. In June 2008 Daimler has started a new initiative to promote innovative ideas and thinking throughout their entire group. This initiative is called *The Daimler Innovation Jam* (Innovation Management, Daimler High-tech Report 2, 2008). The Daimler innovation jam is basically a special event which is under testing currently. It is a three-day intranet workshop that allowed employees to exchange innovative ideas virtually. This initiative the “virtual brainstorming” as Daimler describe it, was initiated by Daimler Corporate Research, Mercedes-Benz Passenger Car Development, Bus Development, the Innovation and Technology Strategy unit, and the Business Innovation unit (Innovation Management, Daimler High-tech Report 2, 2008). 10,000 employees working in research and development departments were invited to participate in a jam of ideas, in which 2500 employees accepted the invitation and participated in. The main purpose of this approach is to allow the participants to generate and exchange creative ideas for all kinds of vehicle innovations, to come up with new business concepts, and to improve cooperation. Florian Zimmermann, project manager for the Daimler Innovation Jam at Business Innovation and the person commissioned to prepare the first of the automotive jam sessions states that “The WEB 2.0 technologies make it possible for everyone to discuss ideas across all company hierarchies.” (Innovation Management, Daimler High-tech Report 2, 2008)

Daimler focused on three major themes for the discussions, thus dividing The Innovation Jam into three forums:

- The Innovation Forum moderated by Herbert Kohler, head of Body and Powertrain at Corporate Research and Advanced Engineering, and Daimler’s Chief Environmental Officer
• The Profitable Growth Forum moderated by Balasubramanian, director of Corporate Research and Advanced Engineering
• The Internal Cooperation Forum moderated by a team including Richard Averbeck, head of Global Development at Daimler Buses

The innovation forum focused on ideas related to the automobile-related products and services, while the profitable growth forum focused on discussion of new business ideas and services for current and future customers. And last the internal cooperation forum basically focused on improving internal communication within the group. (Innovation Management, Daimler High-tech Report 2, 2008)

According to the personnel leading these forums, Innovation Jam will enable Daimler to support the creation of a new culture of innovation at the organization, determine customer requirements at a very early stage and react to the dynamic changes taking place in the markets, establish simplified networks and improve cooperation processes across all business units, achieve the most efficient transfer possible of individual knowledge across Group projects and hierarchies, and finally give the opportunity to reshape the company’s future. (Innovation Management, Daimler High-tech Report 2, 2008)

Another program that Daimler is working on is Formula Student which allows students to produce and design race cars. Formula Student has been staged by the Association of German Engineers since 2006 and it is sponsored by big companies like Daimler (Formula Student, Daimler High-tech Report 2, 2008). In this competition, each team is evaluated by their design, cost plan, vehicle presentation and they are compared with their competitors. However these teams are not only evaluated by their specialized knowledge but also their team work and creativity. For international constructors, Formula Student is their competition in which they decide which student team will produce and design race cars for them (Formula Student, Daimler High-tech Report 2, 2008).

The other program that Daimler is applying to encourage innovation is Daimler Research Awards. According to Daimler High Tech Report (2008), the employees are rewarded each year based on their innovative solutions. The evaluation is based upon benefit and utility for company and especially its customers. Daimler’s goal is to give that reward to promote innovative thinking and provide recognition of their employees’ effort.
4.3.5. Daimler Sustainability Management:

While Daimler believes that innovation is a key to sustain competitive advantage, sustainability is also crucial factor while defining Daimler’s strategy and its culture. Even though the financial crisis is becoming global recession, Daimler believes that lasting business success can be achieved only if Daimler’s targets are consistent with environmental, social, and economic norms. Daimler underlines the importance of environmental protection, innovation, and safety. That is why Daimler tries to use the resources efficiently, reduce the emissions, and enhance the road safety, which are key tasks on the path toward achieving sustainable mobility. (Daimler Sustainability Report, 2009)

In Daimler Sustainability Report, Daimler claims that since they are the inventors of the automobiles, they aim to also shape its future. While shaping the automobile future, they pursue the path to sustainable mobility not through sacrifice but through innovations. In their Green Technology Leadership Initiative, Daimler’s goal is nothing less than the second invention of the automobile. (Thomas Weber, Daimler Sustainability Report, 2009)

Due to the importance of sustainability for Daimler corporate culture and strategy, Daimler made necessary changes in their structure in 2007 and they added new level to Board of Management: Sustainability Board, which consolidates all of existing management processes related to sustainability. (Zetsche, Daimler Sustainability Report, 2009)

Daimler Sustainability Board plays an important role to reach all stakeholders who are affected by Daimler activities all over the world. They deal with the coordination of cross-issue and cross-unit activities. They find new instruments to reach stakeholders such as Sustainability Dialogue which brought 60 interested business people, politicians and citizens together to talk with Daimler Top management.
Different contact person in the Group is dealing with different issues in Dialogue: The Investor Relations unit is responsible for communicating with investors and shareholders; Corporate Environmental Protection coordinates the dialogue with stakeholders about environmental issues; the development units of the divisions are in charge of vehicle safety issues; contact and communication with the employees on human resources issues is the responsibility of the Human Resources organization; Daimler’s purchasing organization discusses social and environmental issues that are relevant to procurement with Daimler’s suppliers and other automakers; dialogue with elected officials, committees, and associations regarding political and Group-related issues is coordinated by the Public Policy and External Relations unit and Corporate Strategy; Corporate Communication answers media inquiries (Daimler Sustainability Report, 2009, p.21). The aim of this event is to deepen the dialogue with critical interest group and try to make this event a fixed institution. For the results of these Dialogues, their goal is to find solutions for the selected areas that need actions and to improve Daimler’s performance in terms of sustainability. (Daimler Sustainability Report, 2009)

In conclusion, Zetsche (Daimler Sustainability Report, 2009, p.5), Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars comments that “Sustainability doesn’t depend on whether business is booming or experiencing a recession. It is an ethical imperative, but it’s also a basic principle of legitimate business self-interest.
Above all, this basic principle dictates responsible and future-oriented behavior — and it’s valid every day, everywhere, with 360-degree coverage”.

4.4. Interview Response:

In order to perform this research and gather the needed data and information, we had conducted an interview with Mark Raine, manager of Sales Planning and Product Management in Mercedes-Benz Cars, Daimler Middle East & Levant FZE. Mohammed Tahboub, also who is currently working as Senior Specialist Planning and Reporting in Mercedes-Benz Cars, Daimler Middle East & Levant FZE provided us with information and reports related with our projects. The interview is crucial for the research in order to formulate a strong analysis about the entrepreneurial activities within Daimler especially activities related to Corporate Entrepreneurship theory. We asked questions related to the different dimensions affecting entrepreneurial transformation of Corporate Entrepreneurship theory. According to Burns (2008, p.18), entrepreneurial transformation is about adaptation of entrepreneurship to large firms by changing their structure, strategy, system, leadership and culture to cope with change and innovation. He identifies strategy, leadership and management, culture, and structure as necessary elements to achieve entrepreneurial transformation. Therefore, we constructed the questions’ themes based on these fields. The questions could be found in the appendix section of the thesis paper.

We asked twelve questions in the interview and acquired the following feedback. Mr. Raine (May 15, 2009) stated in answering questions 1 and 2 related to strategy dimension that Daimler sees difficult market conditions this year like any other member of the automotive industry. Mr. Raine (May, 15, 2009) also added that even though Daimler passed through recessions in specific markets within favorable global market conditions in previous years, their overall result was good. However in this situation, Daimler’s all market is under effect. Mr. Raine gave a basic numerical example to show the crisis influence on Daimler Business: Q1 2008 Daimler posted an EBIT of 1.97 M Euros, in Q1 2009; Daimler posted a red EBIT of 1.4 M Euros. The major contributing business to negative EBIT is the Mercedes-Benz cars business with a red EBIT of 1.12 M Euros (May, 15, 2009). To overcome this negative
effects, Mr. Raine mentioned that Daimler is working hard on implementing creative and market-customized programs. He also said that Daimler recently released the new GLK compact SUV, the E-Class, and will soon release the all-new E Coupe and the face-lifted S-Class. The new GK and E Coupe models have been released to tap on new customer bases. For example; the GLK model was introduced to cover the compact SUV segment that Daimler never had before. Daimler is also releasing new environmentally friendly engines to complement the global demand for low-emission and low consumption engines.

When we asked Mr. Raine how Daimler is reducing the impacts of crisis, Mr. Raine gave some examples of measures that Daimler is taking (May, 15, 2009). These measures varied from short terms to long terms strategies. According to the answer that we got from Mr. Raine, we learned that Daimler is lowering the production at production facilities, reducing the working hours at the factory and headquarter, enhancing customer-oriented approach to increase the sales, producing very competitive products and adding the offers customer benefits such as product warranties, sponsored bank facilities…etc. Regarding cash flow, they are enhancing cash flow through equity support from large investors (such as Aabar Investments from Abu Dhabi) and increasing R&D investment and production of high quality low emission and low consumption diesel and gasoline engines (May, 15, 2009).

Regarding question 3 which is related to management & leadership, Mr. Raine emphasized the importance of entrepreneurial environment for crisis situation. Mr. Raine added that only doing a good job is not enough to overcome the effects of crisis. Daimler must be more entrepreneurial and creative to ease the main problems that company has which are scarcity of cash flow and financial, global stock problem and the costs associated with it (May, 15, 2009). For the second part of question, Mr. Raine (May 15, 2009) emphasized the importance of top management to create entrepreneurial environment esp. in creating the budgets, short and long term strategy and general guidelines needed to implement to overcome the difficulties that is created by crisis.

When we asked about reward system related with management, question 4, Mr. Raine said that the rewards given by Daimler is generally performance based and the focus of rewards increases as the hierarchical level increases. He also added that since high entrepreneurial activities support and enhance performance, and enhanced performance
lead to enhanced business activities in terms of sales, revenues, and profits; it will lead to reward in an indirect way. (May 15, 2009)

When Mr. Raine was asked question 5 about overall aspects of Corporate Entrepreneurship, he emphasized the size of the company and the negative impacts that it brings. Mr. Raine said that when the crisis hit to Daimler, Daimler had to react to the forces against them like any other company in any other industry. However, Mr. Raine added that Daimler was not able to implement radical plans immediately because of size of Daimler, the geographical distance between their market management offices and headquarters, existence of processes and procedures and financial constraints. That is why Daimler started with implementing short term approaches to deal with the crisis, until they place a long term well structured strategy to deal with the current situation. He stated that Daimler’s initial measures began with shortening the working hours and terminating contracts with third party employees at Daimler factories to reduce output. Reading their long term strategy, we didn’t get so much feedback, Mr. Raine stated that these kinds of strategies vary and change along with changes with the situation. What they are trying to implement now might change completely in the coming period. (May 15, 2009)

Regarding question 6 related with management, Mr. Raine answered that Daimler sees the empowerment of market management offices as a crucial factor for a successful entrepreneurial environment. Their market management offices are the ones who are closest their markets and understand their market the most. Mr. Raine added that even though Daimler management overlooks the strategy but the implementation should be directly sponsored by each location’s market management office.

After learning the level of importance of entrepreneurial environment for Daimler, we asked questions about structure and culture. Regarding question 7 related with structure, TBOB answered that there is not any certain structural procedures that is placed within Daimler to guide entrepreneurial activities, but their culture definitely guide and support entrepreneurial activities. All innovative thinking and entrepreneurial thought are always praised and encouraged.

While answering question 8 related to structure, Mr. Raine (May, 15, 2009) stated that Daimler employees have a good network mainly for Car and Truck businesses. This
network allows markets and Headquarters to work very closely. Mr. Raine (May, 15, 2009) also added that to come out of this crisis with minimal effects on Daimler, they communicate with headquarters on regular basis for taking critical decisions. He also added while answering question 10 related with structure and culture that Daimler’s management in country management offices are easily accessible while Top-management at HQ are accessible through the structured channels within the group (May, 15, 2009). However in question 9, Mr. Raine stated that this information sharing and communication within overall Daimler is somehow limited. Mr. Raine who worked for 2 years in the headquarters in Germany and currently located in the Middle East head office, added that information sharing and communication seems to be concentrated mainly in headquarter and major locations and it is limited between offshore locations. In offshore locations information sharing and communication is mainly concerned with their operational activities and actions related to these specific markets.

When we asked question 11 about the importance of culture for supporting entrepreneurial behavior, Mr. Raine focuses on the importance of culture to create entrepreneurial environment. Mr. Raine added that Daimler sees the corporate culture as an important tool to disperse the exemplary behavior of Daimler within organization. He also emphasized that Daimler’s corporate culture is one of their major strengths and the focus on it is important for their future growth.

And finally, the interview with Mr. Raine (May, 15, 2009) that is related with question 12 showed that Daimler’s operation is affected by its institutional environment. Mr. Raine (May, 15, 2009) emphasized that especially its competitors and customers affect their operation. He added that in this crisis situation, Daimler is ready to imitate by reshaping the best practices. Furthermore, their customers also influence their entrepreneurial activities and it seems that is one of their main focuses at the current time. Mr. Raine (May, 15, 2009) added that due to the decrease of global purchasing power, they work hard to add value to their products to sell more their cars.
5. Analysis and Finding:

In this chapter we interpret and analyze our empirical findings by using our theoretical framework. We analyze the interview we conducted along with the reports we managed to gather from Daimler. Furthermore, we discuss if our finding is possibly related to CE activities within Daimler in particular.

5.1. Daimler Target System: Daimler’s Strive for Operational Excellence:

It can be seen the negative impacts of crisis on Daimler from the interview made with Mark Raine (May 15, 2009) from the answer of question 1. These impacts can be best understood with basic numerical example provided by Raine: Q1 2008 Daimler posted an EBIT of 1.97 M Euros, in Q1 2009, Daimler posted a red EBIT of 1.4 M Euros of which. The major contributing business to negative EBIT is the Mercedes-Benz cars business with a red EBIT of 1.12 M Euros (May, 15, 2009). To adjust this new situation, Mr. Raine gave some examples of measures that Daimler takes. For example: Daimler released the new GLK compact SUV, the E-Class, and will soon release the all-new E Coupe and the face-lifted S-Class. Daimler is also releasing new environmentally friendly engines to complement the global demand for low-emission and low consumption engines. The answer for question 2 also shows the other measures that Daimler takes such as Aabar investment to enhance cash flow, customer benefits added to products. However, when we analyze question 5 regarding all aspects of Corporate Entrepreneurship, it is obvious that all quick measures taken by Daimler is short term strategy such as shortening the working hours and terminating contracts with third party employees at Daimler factories to reduce output. As Mr. Raine told that Daimler was not able to implement radical plans immediately because of its size, the geographical distance between their market management offices and headquarters, existence of processes and procedures, and financial constraints. Therefore it will take more time to define Daimler’s well structured long term strategy. Mr. Raine stated that these kinds of strategies vary and change along with changes with the situations. However, we managed to get an overview of some of the long term strategies placed by Daimler.
Daimler has reviewed their long-term strategic approach and adjusted it to the new situation they are facing currently. As we mentioned in our empirical data section, their goal is to instigate their main customers with products that set standards in the areas of design, safety, comfort, perceived value, reliability, environmental compatibility, and outstanding service solutions related to these products (Daimler Annual Report, 2008).

We have discussed the strategic target system and its focus areas in the empirical data section. We can conclude from the strategic target system that Daimler sets that their long term objective is to achieve a sustainable profitable growth in all their divisions that will eventually increase the total value of the Group. We can observe from the dimensions Daimler put; the high performing, inspired people, operational excellence, super products and customer experience, leading brands, innovation and technology leadership, and last global presence and network (Daimler annual Report, 2008, p46), that the entrepreneurial DNA is present and considered as their main focus. Constant innovation, growth and high performance are the mechanisms connecting all parts of the organization together. Burns discuss the importance of the entrepreneurial DNA for organizations, and for its entrepreneurial transformation (2008). We have already discussed and explained the entrepreneurial transformation in the theoretical framework. According to Burns (2008, p.18), entrepreneurial transformation is about adaptation of entrepreneurship to large firms by changing their structure, strategy, system, leadership and culture to cope with change and innovation. He identifies strategy, leadership and management, culture, and structure as necessary elements to achieve entrepreneurial transformation. After comparing the process of entrepreneurial transformation with the strategic target system implemented by Daimler, it is observable that they both aim at adapting the organization leadership, strategies, systems, structures, and cultures, to adapt to changing business environment and cope with innovations.

As we mentioned in the theoretical framework, the strategic management focuses on how firms create and manage by identifying opportunities in their external and internal environments and developing competitive advantages to exploit them to create profitability or wealth (Hitt, Ireland, Camp, et al., 2001; Ireland et al., 2003). Moreover, Hitt et al. (2001) conclude that combining effective opportunity-seeking behavior (entrepreneurship) and
effective advantage-seeking behavior (strategic management) is the way for organizations to create wealth and profitability. It is apparent that the framework of the target system implemented by Daimler has clear set goals with the six strategic dimensions formulated in the target system. As we mentioned in the empirical data section, these dimensions are: high performing, inspired people, operational excellence, super products and customer experience, leading brands, innovation and technology leadership, and last global presence and network (Daimler Annual Report, 2008, p46). Daimler is striving to achieve and maintain their excellence in their business operations, create a high performance culture, continue expanding in old markets, and grasp any opportunity in major growth regions of the world, and finally benefit from their innovation and development accomplishment, and keep it aligned with all parts of their organization. Objectives that combine effective opportunity-seeking behavior (entrepreneurship) and effective advantage-seeking behavior (strategic management) is the way for organizations to create wealth and profitability. Effective opportunity-seeking behavior (entrepreneurship) present in the high performance culture and the innovation and development accomplishment, and effective advantage-seeking behavior (strategic management) presented in the goals related to expanding in old markets, and grasp any opportunity in major growth regions of the world.

5.2. Daimler Management and Leadership Role:

Burns (2008) discusses the relationship between two important distinct terms; management and leadership and how management could be seen as the mechanics of the organization, while its leadership functions as the brains. After analyzing the role of Daimler’s management and leadership, it is clearly that Daimler put a lot of effort to align them in the same direction. Daimler’s believes that the role of their leadership is important in achieving their targeted goals of profitable growth. According to answer given by Mr. Raine for question 3 (May 15, 2009), it is also possible to see that Daimler sees its top management as a crucial factor for creating its entrepreneurial environment esp. in creating the budgets, short and long term strategy and general guidelines needed to implement to overcome the difficulties that is created by crisis. This proves Burns’ point of view about leadership and management (2008).
Kuratko and Hornsby (1999) emphasize heavily on how entrepreneurial leaders strive to construct, define and gain commitment to values and beliefs they try to integrate in the organization in order to be effective and efficient. They state that specific elements for entrepreneurial leaders need to be recognized first to be able to induce a strategy effectively and efficiently (Kuratko and Hornsby, 1999). All these elements can be sensed in the role of Daimler’s management and leadership. The answer that we got for the question 6 from Mr. Raine (May 15, 2009) showed the importance of management and their empowerment esp. market management offices. The strategic focus areas placed in Daimler’s strategy model also show the strong role and commitment Daimler’s management play in implementing it. In each of the strategic focus areas we discussed in the Daimler target system, we can see Daimler’s leadership involvement. We can evidently touch how the management team strives to develop **visions, innovation, venture teams**, and structure the **entrepreneurial climate** to achieve long term sustainable growth; elements Kuratko and Hornsby (1999) emphasizes on as a must for entrepreneurial leaders need to be recognized first for a corporate entrepreneurship strategy to be induced effectively and efficiently. Daimler is determined to create a **culture of excellence** and they see it as their future vision. As we discussed in the leadership and management section of the theoretical framework, this culture of excellence could be defined as their **inspirational motivation; defined the ability to develop and communicate a convincing and attractive future vision** in the transformational leadership theory (Bass, 1990 in Felfe, 2004). Daimler also focuses on developing innovation. It is clearly observable in two of the focus areas placed in the target system; further development of innovative and customer-oriented services and technologies, and development and innovation of new businesses in related areas. We can also notice their interest in venture teams in the focus area related to expanding of core business in traditional market segments and utilization of new opportunities on a regional basis. Moreover, focusing on achieving a high performance culture and highly inspired employees can be seen as Daimler’s way of structuring their entrepreneurial climate. Therefore, we can clearly see from the interview made with Mr. Raine (May 15, 2009) that Daimler’s management and leadership recognize what is needed to be implemented in their organization to create an effective entrepreneurial business environment.
This brings us to an important topic, the success factors of corporate entrepreneurship. Abraham discusses the four important corporate entrepreneurship success factors that must exist within an organization (1997 in Kenney and Mujtaba, 2007; Sathe, 1985 in Kuratko and Hornsby, 1999). These factors are: management support, autonomy, reward and reinforcement, and time availability. We have already discussed the management role in the previous section, and how Daimler’s management emphasizes on the importance of their role in implemented their strategy. Looking at autonomy, it’s obvious that Daimler’s environment tolerates failures and encourages risk taking actions. It is absurd to place focus areas concentrating on innovation and constant development without leaving a room for failures. Analyzing the factors of reward and reinforcement and time availability, it is clear that Daimler also took them in consideration. The question answered by Mr. Raine showed that Daimler rewards its employees for entrepreneurial activities indirectly; however, when the level of hierarchy increases, the focus of rewards increases too. The other example can be Daimler Research Awards and the innovation jam sessions which gives the employees flexible time constraints to deal with problems, and discuss new innovative ideas.

If we want to place Daimler’s leadership according to the leadership grid developed by Blake and Mouton (1978), we find out that Daimler most suitable to fit under Team Management. As we mentioned in the leadership and management section of the theoretical framework, the leadership grid classifies the managerial styles upon leadership concern toward task compared to the concern for people and categorizes them into five types: Impoverished Management, Country club Management, Middle of the road Management, Team management, and Authority-Compliance Management (Blake and Mouton, 1978). The category that fits under team management suggests that management choosing to use this style encourage teamwork and commitment among employees. It also claims that employees are involved in understanding organizational purpose and the goals they are trying to achieve (Blake and Mouton, 1978). When there is high commitment form employees, the interest of the employees and the organization become mutual, thus creating a team environment based on trust and respect. This team environment will eventually lead to high satisfaction and motivation and, as a result, high production. As in
Daimler’s case, we already discussed how they are trying to achieve a high performance culture thus a high concern on production. We also discussed their focus on creating high commitment environment, and attaining highly inspired employees, thus a high concern on people. According to the definition of Team Management Style, there is a high concern on both people and production (Blake and Mouton, 1978).

In the transformational leadership theory, we discussed the elements of transformational leaders, idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass, 1990). In analyzing Daimler’s leadership we found that these elements are present to some extent. We mentioned in the theoretical framework that Humphreys (2005) states that transformational leadership is more suitable for a dynamic external environment, where employees are empowered with greater responsibility and encouraged to innovate, initiative and take risk. And we could witness that Daimler’s leadership is striving to have highly empowered and motivated employees, and consider innovation and constant development as a crucial factor for the strategy.

It is evident that Daimler has what it takes to create and sustain an effective CE strategy. We consider Daimler’s leadership and management to fit under transformational leadership. It shows traits of being transformational leaders with a team management style being followed. We can observe the existence of all the success factors needed to exist in leadership for the implementation of a CE strategy. And we can see the Daimler’s management team is directing their potentials and resources in this direction to create a business environment that support entrepreneurial activities and innovation, thus supporting a CE environment in the organization.

5.3. Daimler Culture of Excellence:

As it is mentioned in theoretical framework, companies have to restructure their organizations as flat as possible to foster corporate entrepreneurship (Echols and Neck, 1998). There are three specific categories of entrepreneurial behavior which must have been addressed by management while changing structure: detection of opportunities which
requires transparency in the organization, external and internal networks and easy access to firm’s information, opportunity facilitation which demands supportively competition among firms and support from managers as coaches or mentors, and the motivation to pursue opportunity. This new structure must be supported with entrepreneurial culture (Echols and Neck, 1998). Nonetheless, entrepreneurial-oriented culture helps company to find innovative solutions and sustain strategic competitive advantages (Parboteaah, 2000 in Kenney et al., 2007). Entrepreneurial-oriented culture must dedicate itself to ‘the simultaneous importance of opportunity-seeking behavior and advantage-seeking behaviors’, culture must promote innovative ideas and learning, encourage risk-taking activities while accepting the failure, and must be open to continuous change (Ireland et al., 2003, p.970) which is also related with network structure and knowledge firms (Burns, 2008). It can be understood from above that the changes in both organizational structure and organizational culture are interrelated while fostering corporate entrepreneurship within organization.

When we analyze the organizational culture, it is clear that the importance of culture is known by Daimler AG. According to Daimler’s Board of Management, “Corporate Culture is perhaps the most important – yet hardest to quantify – among the keys to top performance, profitable growth and success” (Daimler Integrity Code, 2007, p.3). The values that Daimler corporate culture is based on are set as priority: Passion, Respect, Integrity and Discipline, and we can observe that in the target system they have set in their strategy. These four elements are set as the foundation base for all Daimler’s objectives and goals. It is obvious that Board of management underlines the importance of these values. It can be understood from the quotation of Board of Management in Daimler Integrity Report published in 2007. They define these values as an exemplary behavior which builds a framework that provides motivation and promotes teamwork in that report. It is also mentioned that corporate culture is characterized by cooperative working relationship in which everyone has to be tolerant and respect towards each other (Daimler Integrity Report, 2007). All these signs show that Daimler has a collectivist culture that is one of the characteristics of entrepreneurial culture which is also mentioned Hofstede’s first dimension of culture (individualism vs. collectivism) (1981 in Burns, 2008).
Daimler AG also sees the culture as a tool to achieve its strategic dimensions. As we stated in Daimler Strategic Focus Area, they created a shared culture - *culture of excellence* - to attain success in these four strategic focus areas.

When we analyzed if Daimler's corporate culture is entrepreneurial, it is possible to find the traces of entrepreneurial culture on Daimler Annual Report published in 2008. According to Daimler Annual Report (2008), Board of Management claims that since they invented the automobile, now they aim at shaping its future by coming up with ground-breaking technologies and high quality products. So they define their philosophy as to give their best to their customer who expects best and, create a culture of excellence that is based on shared values. As we mentioned earlier in Daimler Strategic Focus Area, Daimler AG sees the culture of excellence as a tool of achieving its strategic dimensions. The culture of excellence (Daimler Annual Report, 2008, p.47) - *Operational excellence and a high performance culture, expansion of core business in traditional market segments and utilization of new opportunities on a regional basis, Further development of innovative and customer-oriented services and technologies, Development and innovation of new businesses in related areas* - shows many characteristics of entrepreneurial culture such as opportunity-seeking behavior and advantage-seeking behaviors, innovative ideas and learning. Daimler AG also claims that their corporate history is characterized by innovations and pioneering achievements, so Daimler Board of Management sees innovations as a foundation and ongoing stimulus for their claim to leadership in the automotive industry (Daimler Annual Report, 2008, p.1). That is why Daimler AG creates a culture of excellence that gives importance to innovation and opportunity seeking behavior.

Furthermore, Günther Fleig, Director of Human Resources and Labor Relations (Daimler Sustainability Report, 2009), sees the employees as a sustainable success factor due to their commitment and innovative strength. That is why Daimler AG is going to make major investment in 2009 on workforce mainly based on rewards including training programs, CAReer programs, and retirement programs. According to answer of question 4 by Mr. Raine (May, 15, 2009), It can be seen that Daimler also emphasizes the reward system. The focus on reward increases as hierarchical level increases. Therefore higher managerial levels get the bigger share of the bonuses given by Daimler. Mr. Raine also stated that most of the
rewards given are performance-based and entrepreneurial activities are supported but indirectly (May 15, 2009). The example of indirect rewarding can be Daimler Research Awards that is mentioned in empirical data. With this reward, Daimler AG is creating innovative ideas through positive competition within organization, recognizing their projects and rewarding them and finally being successful with these ideas against competitors. Daimler emphasis on cooperative teamwork and rewards to competition within and outside of organization can be seen as an example of Hofstede’s requirement of balance between masculinity and femininity to have entrepreneurial culture (1981 in Burns, 2008).

According to Weihrich (1993), the entrepreneurial orientation of Daimler AG dates back Edzard Reuter who became CEO in 1997 to the engineer-driven company by having a non-engineer background. As Weihrich (1993) shows the importance of the top management orientation while defining organizational culture, setting organizational direction, and structure, he underlines vision of Edzard Reuters which is to create an entrepreneurial spirit into conservative environment and to build Daimler as integrated transportation company in vehicles, railroads and aircrafts. Weihrich adds that Reuters wants Daimler to be global company while remaining flexible to cope with changes (1993, p.7). This entrance to new fields helps company to access new knowledge, new materials, and new technologies. After realizing Reuters’ vision of integrated company, Daimler has restructured its research activities by centralizing its corporate Research & Development activities (Blau, 1995). Blau (1995) claims that the aim of Daimler is to access new knowledge, new materials, and to reach new innovative solutions; for example, Daimler can benefit from the expertise in the aerospace sector to research on new metal structures on car (Lepiorz in Blau, 1995). All of these factors support the entrepreneurial orientation of culture and structure that Ireland et al. (2003) and Burns (2008) define.

When we analyze Daimler’s structure, Daimler has got flat structure which facilitates open relations and unrestricted information flow that also proves the requirements of Hofstede’s second dimension of culture (power distance). Daimler Integrity Code (2007) can be one of the examples. In Daimler Integrity Report (2007, p.7), Board of Management defines Rules of Conduct for Management which stipulates open relations: “Management personnel support productive behavior by practicing performance-based, value-oriented
management. Through their open-minded dealings with employees, they create a working atmosphere that is conducive to positive employee morale and the open exchange of ideas. Through courtesy, tolerance and mutual consideration, they cultivate harmonious and productive dealings with other people”.

Furthermore, the network, that is mentioned in question 8 by Mr. Raine during the interview (May, 15, 2009), can be also seen as tool which facilitates open relations and unrestricted information flow within organizations. Also Mr. Raine’s answer for question 10 shows that managers can easily be accessed and there is an open-door policy that employees can reach their managers whenever they want.

The other example is Daimler Innovation Jam which is mentioned above in Daimler Innovation Management Part. According to empirical data about Innovation Jam, this workshop helps to generate creative ideas for all kinds of vehicle innovations, to come up with new business concepts, to exchange ideas and to improve cooperation which encourages open relations, and unrestricted information flow. Herbert Kohler, head of Body and Powertrain at Corporate Research and Advanced Engineering, and Daimler’s Chief Environmental Officer (Innovation Management, Daimler High-Tech Report 2, 2008) sees Innovation Jam as a supporting tool to create an innovation culture. Balasubramanian’s quotation in Innovation Management, Daimler High-Tech Report 2, 2008 also shows that Daimler AG has flat structure because Daimler employees have the opportunity to express their ideas and receive a reply from members of top management including Board of Management Member Thomas Weber within 60 seconds which makes managers accessible. Because, there is command of information flow in hierarchical structure that employees first have to tell their ideas to their supervisor then their supervisor will tell employees’ ideas to managers.

However, Innovation Jam is mainly limited with employees from Research and Development department which shows that information sharing is limited with research and development (Innovation Management, Daimler High-Tech Report 2, 2008). According to answers taken from interview conducted regarding the question 9 (May, 15, 2009); Mr. Raine also proves that point. According to Mr. Raine (May, 15, 2009), information sharing and communication seems to be concentrated mainly on headquarter and major locations and it is limited with offshore locations. Therefore, it can be understood that,
entrepreneurial activities are supported only for specific part of organization such as Daimler Research and Development.

Finally, it is evident that Daimler sees structure and culture as an important factor to support entrepreneurial activities. Daimler’s structure and corporate culture is mainly interrelated and Daimler’s structure is supported with entrepreneurial culture that Echols and Neck, 1998 require in theoretical framework.

5.4. Daimler Institutional Scope:

As it is mentioned in theoretical framework, when organizations are defining their strategy, they have to consider their institutional field which consists of customers, regulative agencies, and key suppliers, and major competitors. Organizations are trying to be legitimate through their action in order to access the financial resources or not to be questioned by the customer and media (Schwartz, 2006). Institutional legitimacy and political power are important for organizations. They try to be consistent within their self and also with the environment.

The interview with Mr. Raine (May, 15, 2009) that is related with question 12 showed that Daimler’s operation is also affected by its institutional environment. As Mr. Raine (May, 15, 2009) mentioned, its competitors and customers affect their operation. He said that in this crisis situation, Daimler is ready to imitate by reshaping the best practices that competitors came up with which can be seen as an example of mimetic isomorphism that DiMaggio and Powell (1991) talk about. Furthermore, their customers also influence their entrepreneurial activities. Mr. Raine also (May, 15, 2009) added that due to the decrease of global purchasing power, they work hard to add value to their products to sell more their cars which shows that Daimler has to think about their customer while producing new cars.

When we look through the lenses of the topic of environmental issues and sustainability, it can be understood by Daimler Development of Innovative and Customer-oriented Services, and Technologies part that their strategy is influenced by its institutional field. The best example is Daimler strategy of Roadmap to Sustainable Mobility. According to Dieter Zetsche (Daimler Sustainability Report, 2009), Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars, environmental issues and sustainability is a
crucial factor for Daimler while defining their strategy. In Daimler Sustainability Report (2009, p.4-5), Zetsche’s quotation underlines the importance of environmental issues and sustainability: “our economic, environmental, and social targets must be in harmony. After all, lasting business success is possible only if environmental and social concerns aren’t neglected. The long-term results of pursuing business targets without considering their risks and side effects can be seen in the financial crisis and its consequences”. Furthermore, the steps that are taken by Daimler such as changing corporate structure and adding new level to Board of management that is mentioned above Daimler Sustainability Management part show that Daimler has to take into consideration of its environment while inventing new solutions to their customer. These new solutions must be environmental friendly. Even the new innovative solution is cost-efficient to company but it is harmful to environment, this new solution cannot be used by Daimler. As Zetsche (2009) indicates above, this kind of non-environmental friendly innovation will be harmful for Daimler’s long term business success and reduce its reputation.

The interdependence with institutional field and Daimler can be also clearly understood with the figure existed in Daimler Sustainability Management part above. It is clear that Daimler is aware of its responsibility against its stakeholders and the different contact people are dealing with each main issue. Sustainable Dialogue and the figure existed in Daimler Sustainability Management help us to understand that Daimler is closely in contact with its institutional environment.

Furthermore, one of the concepts of institutional field, legitimacy also can be seen in the activities of Daimler. As it is indicated in Daimler’s Sustainability Management part, - the importance of environmental protection, innovation, and safety - Daimler tries to use the resources efficiently, reduce the emissions, and enhance the road safety which are key tasks on the path toward achieving sustainable mobility. Thomas Weber(Daimler Sustainability Report, 2008, p. 29), Member of the Board of Management of Daimler AG and Group Research and Development Mercedes-Benz Cars also adds that “Daimler in particular is obligated to live up to this responsibility: As the inventor of the automobile we aim to also shape its future. As we do so, we are convinced that the path to sustainable mobility is best pursued not through sacrifice but through innovations. In our Green Technology Leadership
Initiative, we are aiming at nothing less than the second invention of the automobile”. All these quotes show that Daimler AG is trying to be legitimate for every new innovative solution by taking into consideration of ethical issues. As a company, Daimler AG wants to be morally legitimate by doing right thing. With this; their aim is to increase their legitimacy and control over their external environment by institutionalizing their patterns in the field. And it can be understood that by being an inventor of automobile and by being one step forward with the environment-friendly innovations which exceeds customer’s expectation, they already gained legitimacy over its competitors. The best example of their effort of gaining legitimacy is Sustainability Dialogue that we mentioned in Sustainability Management part in empirical data. It is clear that they are trying to be morally legitimate from their aim of making this dialogue a fixed institution. It can be also thought that by making this event fixed institution, they aim to control their both internal and external environment.

Finally, it can be seen that Daimler AG has to think about its environment while being entrepreneurial. As being one of the successful automotive companies, there is no chance for Daimler to be pragmatic which is self-interested calculation of an organization’s most immediate audiences (Suchman, 1995 in Schwartz, 2006, p.5). In case of being pragmatic, Daimler AG is aware of huge losses which can especially be understood from Zetsche’s comment about sustainability. By being a target of many regulative agencies, local administrations, authorities, social and environmental non-governmental organizations, media and rating agencies (Figure.9, Daimler Sustainability Management part in empirical data), Daimler AG cannot let an unethical project innovation or entrepreneurial behavior which can influence Daimler’s reputation badly.

5.5. Findings and Analysis Conclusion:

In this section we will go back to our entrepreneurial transformation figure and we will classify the actions taken by Daimler into entrepreneurial transformation elements. Before showing the relationship between elements and actions, we will explain the figure again.

As we mentioned in theoretical framework part, all these elements are strongly interrelated and have a strong influence on each other. In order for a successful entrepreneurial transformation within an organization, all the elements must be taken in consideration, simply because they support each other. Having a weak link in the
entrepreneurial transformation chain will lead for an ineffective and inefficient entrepreneurial transformation within any organization. The figure shows an intertwined relationship where all the elements are connected in a way and not as a procedural process. That is why; it is really hard to analyze each element separately, and need to be discussed as a whole interrelated system.

Figure 15: The Intertwined relationship with Entrepreneurial Transformation Elements, and empirical data related with Daimler Source: (Created by the authors)

When we analyze The Daimler Target System, Strategic Focus Areas, Daimler Innovation Management, Daimler Sustainability Management, and Daimler Scorecard, it is clear that it is difficult to analyze each element separately. After comparing the process of entrepreneurial transformation with the strategic target system implemented by Daimler, it is observable that they both aim at adapting the organization leadership, strategies, systems, structures, and cultures, to adapt to changing business environment and cope with
innovations. It can be also seen in Daimler Strategic Framework (Figure 13, p.46) that this target system is based on corporate culture and four key values: passion, respect, integrity and discipline. These values are highly related with leadership and management, culture, strategy and structure. Respect to everyone, integrity among Daimler, discipline within company and passion can be facilitated by appropriate leadership and management, can be reinforced by suitable culture, flat structure and long-term strategy.

When we analyze Daimler Strategic Focus Areas, we observed that operational excellence and a high performance culture are related with strategy, organizational structure and organizational culture. Because, the goal of this focus area is to produce high quality products with the maximum efficiency possible. In order to achieve this target, Daimler uses opportunities of standardization and modularization for a better productivity level, and establishes clear structures and flexible processes in their business operations (Daimler Annual Report, 2008). Also they are trying to apply high performance culture to achieve operational excellence. So Daimler is aware of the importance of culture and as an organizational structure, Daimler initiated a wide-ranging Excellence Program throughout the group (Daimler Sustainability report, 2008). Expansion of core business and utilization of new opportunities, development of innovative and customer-oriented services and technologies, and development of innovation of new businesses in related areas are the parts of Strategic framework and corporate strategy. As it can be understood from the examples in analysis part, Daimler has to change its structure to facilitate the innovative process within company. For example Daimler is currently formulating a kind of cooperation between Daimler Financial Services and the automotive divisions in parallel to the technological development in the product range (Daimler Annual Report, 2008). Also Daimler Innovation Team can be another example. Daimler also supports its entrepreneurial structure with its culture, leadership and management style, and strategy. Furthermore, these strategic focus areas are related with institutional field because last three focus areas are related with innovation. These can be best understood Daimler’s other initiatives like “Road to the Future” and “Shaping Future Transportation” (Daimler Annual Report, 2008, p. 47). Daimler is clearly considering environmentally friendly mobility as the future for the automotive industry, and they are focusing their innovative resources toward this direction which is
highly related with institutional environment because in case of production of non-environmental friendly product, Daimler can lose its position in the competition.

Moreover, Daimler Scorecard can be better example of implication of CE in terms of strategy and leadership and management. Daimler uses Daimler Scorecard as a supporter to implementation of their corporate strategy. Daimler believes that it’s the link between the current target system implemented and the operational management of the businesses (Daimler Sustainability Report, 2008). Also Daimler Scorecard serves as an additional management instrument.

When we analyze Daimler innovation management, it is similar with strategic focus areas. Daimler innovation management is facilitated by flat structure that helps employees to express their innovative ideas (such as Innovation Jam, Formula Students), appropriate leadership and management applied by Daimler (the examples can be seen in the analysis – Daimler Management and Leadership Role). Daimler Innovation Management is one of corporate strategy, and entrepreneurial and innovative behaviors are supported and reinforced by Daimler culture. However these innovative and entrepreneurial behaviors are restricted by sustainability rules which are related with institutional scope.

Furthermore, Daimler Sustainability Management is supported with corporate strategy (It can be proved by Zetche’s quotation, p.69), organizational structure and culture (new level to Board of Management-Sustainability Board), institutional field. The interdependence with institutional field and Daimler can be also clearly understood with figure 14 (Stakeholders at Daimler-two-way relationship) in Daimler Sustainability Management part above. It is clear that Daimler is aware of its responsibility against its stakeholders and the different contact people are dealing with each main issue. Sustainable Dialogue and the figure existed in Daimler Sustainability Management help us to understand that Daimler is closely in contact with its institutional environment.

Finally, after evaluating each report and interview from the company perspective, it is obvious that all entrepreneurial transformation elements cannot be analyzed separately. We tried to show the intertwined relationship between each element as clarify it as much as possible to better understand the entrepreneurial transformation within Daimler.
6. Conclusions:

The purpose of our study was to increase the understanding of how Daimler can induce the CE strategy they are striving for. Here we present the conclusions of our study. During this study we have also come aware of other ways to approach this field. We therefore gain a better understanding for further research that we find needs to be done within this field.

Based on our study, the main purpose of this thesis was to study Daimler AG Company entrepreneurial activities and practices by analyzing the factor that can help establishing Corporate Entrepreneurship in their organization. We aimed to identify the models used by Daimler for maintaining or even creating the Corporate Entrepreneurship they are striving for by concentrating of certain aspects of CE mainly related to leadership, culture, structure, institutional field, and strategy of Daimler AG. In order to conduct this research and analyze our topic, we asked the following research questions; can we qualify Daimler’s strategy as entrepreneurial? If so, what are the steps Daimler AG taken to induce or support their Corporate Entrepreneurship (CE) Strategy? How is corporate entrepreneurial behavior being facilitated in Daimler’s management team? What factors are affecting CE applied by Daimler, and how they could be more entrepreneurial? And we managed to arise with the following conclusions.

We defined Corporate Entrepreneurship as “the process whereby an individual or group of individuals, in association with an existing organization, create a new organization, or instigate renewal or innovation within that organization” (Sharma and Chrisman, 1999 in Dess et al, 2003, p.352). It is clearly observable that the important elements needed for inducing an effective CE strategy are present within Daimler. Therefore we can conclude that their strategy implemented by Daimler qualify to be entrepreneurial.

We narrowed the scope of our thesis to focus on the entrepreneurial transformation within an organization. Burns (2008) defined entrepreneurial transformations as it is about adaptation of organizational structure, and culture to changing environment and create a new organizational environment to encourage entrepreneurial activity. He also mentioned
that according to these dimensions, the individual behavior in the organization is influenced by leadership, strategy, systems, structures and culture (2008). Therefore, we can understand from the analysis part and the interview conducted that Daimler is facilitating entrepreneurial behavior throughout the whole organization. We had identified the elements that facilitate entrepreneurial activities in Daimler leadership, culture, structure, institutional field, and corporate strategy. Daimler’s strategic target system shows in details the steps Daimler undertake to facilitate their entrepreneurial activities. The target system shows a strong interrelated relationship between all the elements that affect the CE strategy, and mainly strategy, leadership, culture, and structure.

We conclude from our findings that Daimler has what it takes to create and sustain an effective CE strategy. As we mentioned, we consider Daimler’s leadership and management to fit under transformational leadership. It shows traits of being transformational leaders with a team management style being followed. We can observe the existence of all the success factors needed to exist in leadership for the implementation of a CE strategy. And we can see the Daimler’s are directing their potentials and resources in this direction to create a business environment that support entrepreneurial activities and innovation, thus supporting a CE environment in the organization. Daimler’s culture is also an important tool to achieve the entrepreneurial environment. As we stated in Daimler Strategic Focus Areas, they created a shared culture- *culture of excellence*- to attain success, high performance, and sustainable profitable growth in their operations. Finally, it is evident that Daimler sees structure and culture as an important factor to support entrepreneurial activities, and emphasize at the strong interrelation between these two dimensions. Daimler’s structure is effective as long as it is supported with entrepreneurial culture that can enforce it and vice versa.

We also discovered that there are many factors affecting CE applied in Daimler. As we discussed in the analysis section, these factors were the organizational size, geographical distance between locations, and financial constrains. It can be also understood for Daimler's sustainability report 2009; Daimler institutional field including customers, suppliers, competitors, and regulative agencies is also affecting Daimler strategy.
We can conclude the Daimler is applying a strategy- the strategic target system- based on creating a high entrepreneurial environment within their organization. It is observable that Daimler it’s an important factor for surviving the current crisis the automotive is passing. The current performance measures show that Daimler is improving and in a better situation than many other automotive manufacturers. The current stock performance shows that (Investing: Businessweek 2, May 21, 2009). There is a noticeable rise in the stock prices and usually a good indication of improvements in the business environment. However, we believe that corporate entrepreneurship strategy by itself is limited to be an effective solution for surviving the crisis especially that the current crisis is globally affecting the whole world economy not just the automotive industry; other critical measures need to be taken as well. In our study, we also observed that Daimler is taking some other measures, like cutting costs, reducing work hours etc just to deal with the current period.

Therefore, is corporate entrepreneurship a solution for the automotive crisis? We believed that corporate entrepreneurship by itself will help improve the economical position of MNCs like Daimler in the current crisis but not enough to safely survive it especially when it is a global economical crisis like the one the business world is suffering at the current moment. Nonetheless, Corporate Entrepreneurship is a crucial supporting factor that is needed for an organization to survive in an extreme business environment, where constant innovation and further development is always needed to sustain future growth especially that the automotive industry is currently passing through a critical period; a shift from one era to another where the whole future of the industry could change in the coming decades. The future of the automotive industry to be in the hands of constant innovation, further development, and new technologies, and that’s where corporate entrepreneurship will be an important factor in achieving a successful profitable future.
7. Appendix:

Daimler Thesis Interview Questions

Questions:

1. What is Daimler’s perspective or take on the current business conditions that the automotive industry is passing through? (Strategy)

2. How Daimler is currently dealing with the crisis the automotive industry is facing? (Strategy)

3. How important is it for Daimler to create an entrepreneurial environment within their organization especially with the current economic conditions? Also how much influence does top management and leadership play in creating this entrepreneurial environment? (Management & Leadership)

4. Is there any kind of reward or reinforcement system that supports entrepreneurial activities (new business ideas) within Daimler? (Management)

5. What are some of the difficulties that Daimler management face in establishing an entrepreneurial environment (please take in consideration Daimler’s culture, structure, institutional field, and strategy)? (Overall)

6. What does Daimler management see as a crucial factor for a successful entrepreneurial environment within an organization? (management)
7. Are there any certain structural procedures currently in place within Daimler to guide entrepreneurial activities? *(Structure)*

8. How well is Daimler’s current structure in supporting communication networks within the organization? *(Structure)*

9. Do you think it’s easy for employees to share information and ideas within their departments as well as with other departments? *(Structure and Culture)*

10. Do you have any type of open door policy? How accessible is management to the other employees? *(Structure and Culture)*

11. Do you think that organizational culture is an important component for supporting entrepreneurial behavior in a company? *(Culture)*

12. How do Daimler’s competitors, customers and governments in Daimler’s operations affect the corporate entrepreneurship activities? *(institutional field)*
References:


http://www.daimler.com/dccom/0-5-633234-1-1126037-1-0-0-0-0-0-8-7163-0-0-0-0-0-1.html


