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Activity Report 2015/2016

Chair of Innovation and Organization
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Foreword



The Chair of Innovation and Organization strives to generate and disseminate new ideas and novel insights about organizations that thrive on discovering and seizing the opportunities engendered by new technologies, new regulations, new markets, new customers and new ways of doing business. We focus on organizations of all kinds, regardless of age, size, stature, geographic scope, social orientation, profit motive and ownership base. A good deal of our effort is geared towards organizations, entrepreneurial initiatives and innovations in emerging markets and base-of the pyramid countries.

We are also WHU's hub for venture capital related education, research and outreach activities. Through commitment to rigorous, interdisciplinary analysis of issues of substantial relevance and in close collaboration with the industry, we aspire to stimulate fresh educational content, inspire business leaders, develop effective management tools and practices, and inform current public policy debates.

Vallendar, July 2016

Prof. Dr. Serden Ozcan

1. Team



Professor Dr. Serden Ozcan
Chairholder

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Professor Dr. Serden Ozcan is the Chair of Innovation and Organization at WHU – Otto Beisheim School of Management. He also serves as the director of Venture Capital@WHU and the academic director of Campus for Finance Private Equity Conference. Prior to WHU, he was the founding Director of Entrepreneurship Platform at Copenhagen Business School (CBS), responsible for coordinating and facilitating CBS' entrepreneurship related research, education, outreach, fundraising and internationalization activities. He has a PhD. degree in Business Economics from CBS (2007). Before PhD, he worked at IBM Business Consulting Services (Denmark) and PricewaterhouseCoopers Management Consultants (Denmark).

Professor Ozcan is the recipient of multiple international research awards and his publications may be found in leading academic journals. He has been a visiting scholar amongst others at Stanford University and University of Chicago and has held teaching positions at National University of Singapore (NUS) Business School and Sabanci University's Executive MBA Program.

Professor Ozcan has delivered specialized trainings for corporations and industry associations and has consulted with companies and policy makers in various developed countries and such emerging markets as Estonia, Romania, India, Israel, Ethiopia, China, Turkey and UAE. He has extensive experience with start-ups, incubators and venture financing as an advisor and a mentor as well as a board member, and has advised several social entrepreneurship initiatives and organizations in Middle East, Africa and Southeast Asia. He has been a jury member in professional venture contests in Europe and Asia.

Prof. Ozcan is frequently interviewed by the media on issues concerning entrepreneurship, corporate strategy, innovation and private equity.

He is the recipient of the prestigious The Danish Society for Education and Business (FUHU) Prize for Excellence in Teaching in Denmark (2012), which is given to a permanent academic staff in business studies for extraordinary contributions to teaching.

Professor Ozcan has lived in Denmark, US, Germany, Singapore and Turkey and has done work in over fifty countries.



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Personal Assistant

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In June 2015, Barbara Ecker-Rust joined WHU and is personal assistant to Prof. Dr. Serden Ozcan and to Prof. Dr. Ayse Karaevli. In the past 20 years, she gained experience as personal assistant and sales assistant in diverse work environments, like in an Embassy, in a Machine Building Company, in a Professional Theatre. She lived for five years abroad. At WHU, she is happy to support two professors and their students to get their work, studies, appointments, applications and deadlines handled.



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Research Assistant

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Firat Taraktas joined WHU as Research Assistant and Doctoral Student for the Innovation and Organization Chair of Prof. Ozcan in February 2016. Prior, he graduated with BSc of Electronics Engineering from Middle East Technical University and with MSc of Telecommunications Engineering from Istanbul Technical University. Then he got Executive MBA degree from Sabanci University. In addition, he has working experiences in large companies such as Aselsan, Koc Holding and Siemens as engineer, team leader and project manager mainly in R&D departments. Before joining WHU, he was leading 15 member team in Siemens Turkey R&D.

2. Teaching

2.1 Bachelor of Science Program

Venture Capital Organizations (BSc)

Venture capital is an important financial intermediary for, and component of entrepreneurship, innovation and organizational change. By one estimate, over 1.200 VC firms around the world are evaluating more than 20.000 business plans on a given day. The media extensively glorifies venture capitalists, policy-makers increasingly look to venture capital as a source of jobs and economic growth and hardly a day goes without another celebrity in the entertainment industry making a foray into the world of venture capital. Nonetheless, little is understood about the structure, governance, strategy, incentives, culture,

capabilities and operational processes of venture capital organizations. These gaps in understanding yield significant missteps and frustration for those intersecting with venture capital and in fact so much that especially many entrepreneurs feel venture capital is the "dark side" and inherently evil.

By offering a window into the inside dynamics and the intricacies of venture capital, this course aims to bridge these gaps for students and prepare them as a potential entrepreneur, venture capitalist, institutional investor, management consultant or a policy-maker.



Learning Outcomes:

- Describe how different forms of venture capital organizations are organized, capitalized and managed and address the costs and benefits of working with them as an entrepreneur.
- Explain how VC firms compete, make money and create value for entrepreneurs, fund investors and the economy.
- Articulate why and how venture capital firms syndicate and formulate a strategy for generating a deal flow and identifying deals.
- Demonstrate a rigorous understanding of how deals are valued, structured and harnessed.
- Discuss the nature of post-investment interactions between the VC and founders and recommend strategies for working with management teams to maximize value.
- Evaluate the relative attractiveness of alternative exits for a portfolio firm and formulate exit preparation strategies.
- Identify the key challenges to the current venture capital model and propose policy and strategies for enhancing the entrepreneurial finance ecosystem.

Competing on Innovation in Emerging Industries (BSc)

We are witnessing the unprecedented rise of new industries. There is the taxi-sharing industry. Video-streaming. Alternative energy. Organic Food. Islamic banking. Electric car. Online Education. 3-D Printing. Energy drinks. Crowdfunding. Peer-to-peer lodging rentals. Smart home energy management. And the list goes on. Some of these were niche markets in established industries. Others have come out of nowhere to disrupt centuries old industries such as energy, broadcasting, hospitality, construction and auto. Some entrants relied upon radically different, superior technologies. Others have exploited platform strategies with innovations hardly considered as breakthroughs.

In this course, by integrating the strategy literature with innovation and organization theory, we study the twin questions of how new industries emerge and what characterize the strategic interactions between new firms and incumbents in the fluid, uncertain phase of industry emergence. More specifically, we examine such key questions as:

- What creates entrepreneurial opportunities in new industries?
- Where do new entrants come from?
- What strategic entry barriers do they face?
- Why are incumbents often blindsided?
- How do product categories and market identities emerge?
- How are industry standards and dominant designs established?
- How do new entrants assemble capabilities? How can they convince the audiences (e.g. consumers, market investors, analysts and institutions)?
- How can incumbents fend off advances by the new entrants?
- What role do market intermediaries (e.g. brokers, critics) and non-market organizations such as social movements play in creating and legitimating an industry?

Management Abroad Course: Istanbul, Turkey (Bsc)

This course is a group-based travel course led by Professor Dr. Ozcan. It is part of the WHU's Management Abroad Course Program.

The course was prepared and scheduled for 08.05. – 21.05.2016 and was cancelled in April due to the political precarious situation in Turkey.

2.2 Master of Science Program

Corporate Entrepreneurship (MSc; with Prof. Dr. C. Hienerth)

This course is positioned at the interface of corporate entrepreneurship and open innovation. More and more international companies face the challenge of ongoing innovation and openness to multiple stakeholders. Corporations often struggle with the identification of promising opportunities and the development of new business ideas. This is partly due to the fast changing environment and multiple challenges resulting in information overload. It is also due to organizational components, structures and motivation systems that are not always appropriate for the current dynamics and technological settings.

The overarching goal of the course is to prepare students for a management role in a leading international company, dealing with innovation, corporate entrepreneurship, strategy and management issues, and open innovation.

This course consists of two modules - Corporate Entrepreneurship and User innovation. While the introduction (class 1&2) as well as the final presentation (class 15&16) is held by both instructors, Prof. Dr. Serden Özcan is responsible for the Corporate Entrepreneurship module (class 3-6) and Prof. Dr. Hienerth for the Open User Innovation module (class 10-13).

3. Theses

The Chair of Innovation and Organization offers a dynamic intellectual environment for students who are interested in writing their theses on issues related to venture capital, start-ups and corporate venturing.

Examples of theses that have been completed or are currently in progress at the Chair (a complete list is available upon request):

- What is the optimum funding for a Series A start-up? A study of Series A investments in Germany
- How does the presence of female professionals affect performance in German VCs?
- Which is best for start-up growth: Company builders or Traditional VCs? A comparative study of portfolio firms.
- Why don't traditional VCs and Corporate VCs collaborate (effectively)? A study of operational interface between VCs and CVCs in Germany.
- When and how does active limited partnership become a better alternative to corporate venture capital?
- How do German VCs and Chinese VCs differ? A cross-country analysis of deal generation, syndication and investment behavior.
- Interaction between VCs and start-ups during the pre-investment phase
- Strategic outcomes of corporate fund investments in venture capital funds
- Post-IPO performance of VC-backed entities: Empirical evidence from the US market
- Identifying differences in corporate accelerator programs in the U.S. and Germany that impact growth patterns

3.1 Bachelor of Science Program

1. **Lennart Johannes TRAUTMANN** – “Strategic Outcomes of Corporate Fund Investments in Venture Capital Funds”
2. **Christian FRANZ** – “Pre-investment Phase - Interaction between VC and Start-ups”
3. **Marius Wilhelm LÖWE** – “Business Angel Syndication in Europe: Their potential to close the "second equity gap"”
4. **Paul JEHLE** – “Independent Venture Capital Funds Delivering Strategic Value for Corporate Investors - A Successful Fund Design?”
5. **Cedric CRECELIUS** – “The Sociopolitical Dimension of Entrepreneurship Founding Motivation of Engineers in Germany”
6. **Cornelius MENKE** – “The Role of Online Education in the Transition from Higher Education to Employment”
7. **Sebastian BLOCK** – “What are Corporate Investors' Motive for Preferring Entrepreneurs with a Professional Career Background and Experience?”
8. **Niklas LEUCHTENMÜLLER** – “A Comparison of Advisory Boards Across Top Performing US and German start-ups”
9. **Matthias Franz MAAS** – “Venture Capital in China Antecedents of Success for Western Funds”

3.2 Master of Science Program

1. **Jie DONG** – “A comparative analysis of Chinese and German Ventur Capital Firms: From the perspective of venture cpaitalists' investment behaviors”
2. **Laura HANKISS** – “The underrepresentation of women in venture capital in Germany”
3. **Moritz WEIERMANN** – „Post IPO performance of venture capital backed entities: Empirical Evidence of the U.S. Market“
4. **Jonathan KETTERER** – “Identifying Differences in Corporate Accelerator Programs in the U.S. and Germany that Impact Growth Patterns”

3.3 Doctoral Program

1. **Dirk Sassmannshausen (1st Advisor)**
The Impact of Decision Makers on the Success of Venture Capital Investments
2. **Kazim Firat TARAKTAS (1st Advisor)**
Value Generation in Private Equity: Top Management Quality, Organizational Radiness and Exit Strategies
3. **Abdullah Uenal (2nd Advisor)**
The management literature on CEO and CFO Succession
4. **Cem Mercikoglu (2nd Advisor)**
Leadership, Management-Quality and Strategy Deployment in a non-Western Context

4. Teaching Innovation



Venture Capital@WHU

The Chair of Innovation and Organization is WHU's hub for research, education and outreach on traditional, corporate, and social venture capital.

Our mission is to produce leading edge thinking in the entrepreneurial context, train our students in analytical and decision skills relevant to entrepreneurial finance and value creation, offer them opportunities to engage in hands-on entrepreneurial and venture projects, foster strong relationships between WHU and the venture capital community and aid policy makers through original, expert insights.

We collaborate with some of Europe's leading venture capital firms and corporate venture investors.

WHU Venture Capital Speakers Series

The Chair of Innovation and Organization organizes the WHU Venture Capital Speaker Series in connection with the Chair's Venture Capital Course, which runs in both Spring and Fall.

The series brings prominent insiders from venture capital community to WHU to share their insights and experiences and to discuss topics of interest. Speakers cover multiple facets of venture capital, such as investment strategies and process, financial returns, fundraising, term sheets, current market trends and challenges and emerging business models.

- Dr. Klaus Stöckemann, Managing Partner, Peppermint Venture Partners, „Feast and Famine of Venture Capital“
- Stefan Kimmel, Senior Lawyer, KPMG Smart Start Team Berlin, “Venture Capital – A legal Journey from Founding to Exit”
- Dr. Michael Nettersheim, Investment Manager, BASF Venture Capital GmbH, “Insights into Corporate Venture Capital: BASF Experience”
- Dr. Niklas Darijtschuk, Senior Vice President, Corporate Controlling and Strategy, Bertelsmann SE & Co. KGaA, “Corporate Venture Capital at Bertelsmann”
- Jörg Binnenbrücker, Managing Partner, Capnamic Ventures, “How to Pitch Effectively”
- Dirk Sassmannshausen, Senior Controller, High-Tech Gründerfonds Management GmbH, “Aspects of Fund Controlling in a VC Firm”
- Guido Hegener, Managing Partner, Digital Health Ventures, “Building a VC Firm” – Entrepreneurial Challenges of Institutional Startup Investors

Experiential Projects

The Chair of Innovation and Organization regularly develops exceptional opportunities for WHU students to hone their skills in real-world, hands-on projects on entrepreneurial finance in cooperation with companies, venture capital firms and NGOs.

1. Sample Project:

Setting Up a Corporate Accelerator For Metro Group's Cash & Carry

Objective: To develop a business plan for establishing and managing an accelerator program that can help Metro Cash & Carry identify new growth platforms and strengthen own innovation capabilities by harnessing the entrepreneurial ecosystem. Metro Group is the fifth largest retailer in the world measured by revenues.

Duration: 6 Weeks

Participants: Seven groups of graduate students

Deliverables: Business Plans and Sales Pitches to Metro Group's Head of Business Innovation and Senior Innovation Managers

2. Sample Project:

Corporate Entrepreneurship at Hahn AG. From Accelerators to Crowdfunding of Real Estate

Objective: To develop a business plan for a disruptive business idea that could open up new growth opportunities for Hahn AG. Hahn AG is the largest retail property asset and investment manager in Germany with €2.4 billion in assets under management. Hahn's tenants include some of Europe's largest retail and drug store chains such as Rewe, DM and Kaufland.

Duration: 6 Weeks

Participants: Thirteen groups of graduate students

Deliverables: Business Plans and Sales Pitches to Hahn AG's Management Board Members and Senior Executives

5. Research



Through commitment to rigorous, interdisciplinary analysis of issues of substantial relevance and in close collaboration with the industry, we aspire to stimulate fresh educational content, inspire business leaders, develop effective management tools and practices, and inform current public policy debates.

Our research is organized into three tracks:

1. Emergence and diffusion of new business models and organizational forms

Peer-to-peer accommodation rentals, budget airlines, Islamic banking, microbreweries, income generation associations in rural Africa, ride-sharing businesses, organic supermarkets, biotechnology and social venture capital are among the many organizational forms that have emerged recently to exploit some market opportunity by means of a radically different business model often to the detriment of an incumbent population of firms. In this track, we probe such questions as:

- Why, where and how do new business models and organizational forms emerge?
- How do new business models/new organizational forms compete with established models/forms, gain acceptance, diffuse and come to dominate?
- How do the processes of emergence, rivalry, diffusion and growth differ across base-of the pyramid countries, emerging markets and mature economies?
- How do new business models/organizational forms generate socio-economic change and reconfigure the basis of competition in industries?

2. Growth ecosystems, venture capital and private equity

Growth ecosystems are engines of start-up formation, scaling, talent development and technical and social progress. They have become indispensable elements in the economic development strategies of governments around the world.

In such systems, venture capital (VC) and private equity (PE) play prominent roles. Our research investigates the inner workings of VC/PE firms, their operational mechanics and their value generation.

We also analyze:

- What determines VC/PE activity in emerging markets?
- How does VC behavior differ in emerging markets?
- How much value/innovation does PE foster in emerging market economies?
- How do emerging market start-ups and firms deal with VC/PE?
- How do PE firms extract value from emerging market firms?

3. Evolution of firms, competitive strategies and strategic renewal

An important component of our research agenda concerns explaining the origin and early life of a firm and how firms compete, regenerate and stay entrepreneurial as they evolve.

Some of the key questions we examine include:

- How do founders' early choices regarding strategy, structure and governance affect the way the company evolves, competes and adapts?
- How can organizations remain nimble, flexible, responsive, innovative and entrepreneurial while growing?
- How should firms transform their identity as they grow and meet more rivals?
- How should mature firms identify, develop and exploit new, innovative resource combinations and growth opportunities?
- What is the best way to acquire talent from rivals and how to deploy talent strategically?
- How should firms design, develop and manage corporate venture capital?
- How to execute corporate entrepreneurship through acquisitions in emerging markets?
- How can emerging markets firms become innovation organizations?
- How should firms craft business models and innovations for emerging economies and frontier markets?
- How should firms source and exploit emerging market innovations?

5.1 Publications in Newspapers or Magazines

Chicago Tribune (US)– Chinese M&A strategy in Europe (15.07.2016)

Oman Observer (Oman) – Chinese M&A strategy in Europe (17.07.2016)

Borneo Post (Malaysia) – Chinese M&A strategy in Europe (18.07.2016)

Borneo Bulletin (Borneo) – Chinese M&A strategy in Europe (20.07.2016)

Ulsan Daily (South Korea) – Chinese M&A strategy in Europe (20.07.2016)

Beijing Bulletin (China) – Chinese M&A strategy in Europe (20.07.2016)

Standard Examiner (US) – Chinese M&A strategy in Europe (20.07.2016)

Ames Tribune (US) – Chinese M&A strategy in Europe (16.07.2016)

Washington Post (US)– Midea-Kuka Acquisition (02.06.2016)

WirtschaftsWoche (Germany) – B2B Start-ups and Business Models (04.08.2016)

5.2 Other

Online:

Bloomberg – Midea-Kuka Acquisition (06.06.2016)
Bloomberg – Chinese M&A Strategy in Europe (15.07.2016)

Paper Presentation:

Academy of Management Conference (Anaheim, 2016)

6. Executive Education and Corporate Connections

Academic Director, Campus for Finance - Private Equity Conference

We also actively support the annual Campus For Finance - Private Equity Conference (PEC), which is an internationally acknowledged forum for exchanging and cultivating ideas on hot button issues, key opportunities and major challenges confronting private equity and venture capital. The conference is organized by a dedicated team of WHU students. Prof. Ozcan is the Academic Director of the PEC.



WHU Executive Education - Teaching of a 2 days program at WHU Campus Düsseldorf

“Value Creation in Private Equity and Venture Capital”

Private equity and venture capital have become major forces in the global economy, disrupting industries and shaping the evolution of technologies, altering the nature of competition, and giving companies that otherwise may have failed new leases on life.

WHU Venture Capital Speakers Series (see section 4 Teaching Innovation)

7. Services Provided to the School

- Head of Dobes Evaluation Task Force
- Member of the Task Force for the new Master of Science in Entrepreneurship Program

8. Community Outreach

■ Invited Speaker @ University of Antwerp (16.01.2016)

Professor Ozcan presented his ongoing work on heuristics and biases in venture capital investment decisions at University of Antwerp.

■ Invited Speaker @ Durham University Business School (28.09.2015)

Professor Ozcan presented his ongoing work on the diffusion of Islamic banking windows at conventional banks at Durham University Business School.

understand the intricacies
showcase your idea
get connected



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