



Leaping the *Intrapreneurial* Hurdles

By Susan Foley

Corporate entrepreneurship is vital to the future of every enterprise, but it presents difficult challenges for companies and their entrepreneurial employees. New research suggests that success comes from managing these unique relationships differently.

Corporations and executive recruiters are usually quick to screen out job applicants who they suspect are mavericks—no matter how exceptional their credentials. Fitting well with the prospective employer’s corporate culture has long been a guiding principle of hiring; but does it *always* serve the best interests of organizations and employees? And, should senior executives use the same management approach for *every* employee? Such doubts arose early in my career and grew stronger as my work at various industry-leading organizations increasingly put me in contact with individuals who, like me, were entrepreneurially inclined. I soon discovered that individuals charged with developing new ventures within established organizations actually have widely divergent levels of talent, job satisfaction, and success.

To better understand the factors that determine success or failure of new ventures in large organizations, I designed and implemented a broad cross-industry study. What we learned from that inquiry is that developing corporate *intrapreneurs* is increasingly critical to growth, yet companies know very little about how to develop and harness their capabilities. We believe this

finding sheds fresh light on an opportunity too often overlooked—and even more often misunderstood. While the following provides a brief overview of that research and its findings, readers can find a more in-depth look in the book *Entrepreneurs Inside: Accelerating Business Growth with Corporate Entrepreneurs*.*

Essential Innovation

Self-renewal is fundamental to organizational longevity. In a competitive and largely unregulated environment, few companies will thrive and grow without it. And the degree to which they succeed depends greatly on how well they manage and nurture the processes of innovation and renewal. Product and service enhancements, line extensions, bundling, cost control, price reductions, and new distribution channels are all valuable tools that managers use to wrest profits from products in their mature life-cycle stage; and, while these often include innovative twists, they are hardly innovations in the genuine sense of the word. While they help organizations to maximize their returns on product development investments and boost current sales, mature products and services will inevitably decline—and with them, profitability.

True innovation is therefore essential to every organization’s long-term vitality. To grow their business, attract new talent, and compete effectively, leading companies continually dedicate key resources to develop (or acquire) new products and services to replace those they will one day lose. At 3M, for instance, employees can dedicate 15 percent of their time to experimentation and the company aims for 35 percent of its annual revenue to come from products introduced in the preceding four years.

Given the critical importance of innovation, then, it is only prudent for management to commit significant resources to the task, and to manage them in ways that will produce the best outcomes. As logical as this seems, many companies and organizations fail to provide sufficient management attention to the people and processes involved in their innovation endeavors. Such shortsightedness, however inadvertent, places their organization's long-term future at considerable risk.

Is innovation important to nonprofit organizations, as well? Generally, yes. While in many cases the absence of direct competition might lessen the importance of innovation, many nonprofits really do compete—often intensely—for such resources as donations, volunteers, and support services. For these, innovation also carries high importance. Nonprofits in health care and social services are among the most competitive. So in the nonprofit arena, too, innovation frequently pays off, whether in curbing costs, attracting volunteers, or winning the hearts and souls of donors. And, economic recessions challenge the innovation skills of virtually all nonprofits.

Culture of Frustration

Oddly, a seldom-noted paradox often hampers innovation in established enterprises. The very systems, structures, processes, and work flows that companies develop to improve efficiency and predictability frequently become obstacles to innovation and entrepreneurial endeavors. Ever-changing markets and shareholder expectations for profit growth compound the irony. High risk of failure is inherent in most new ventures, but organizations seldom acknowledge this by providing the flexibility needed to avoid stifling their own creative initiatives.

Management development programs and career tracks can also work against an organization's best interests when applied to entrepreneurial

individuals. I found that once management deems a corporate venture to have either failed or achieved long-term viability, the individuals driving the venture are often expected to join, or rejoin, the core business—typically in line positions where rigid procedures, tight budgets, and predictability are the norm. Or, when a venture succeeds management sometimes leaves them to lead what has become an established enterprise in its own right. This leaves many corporate entrepreneurs unhappy and in want of fresh challenges that will capitalize on their entrepreneurial skills—whether in the present organization or another.

As an example, I encountered a corporate entrepreneur who, in only two years, created a billion-dollar company within an established organization. As a reward, the corporation's CEO offered her the position of chief operating officer—the entrepreneur turned down the offer and left the company. So the lesson here is that to feel fulfilled many entrepreneurial individuals require ongoing challenges to their unique skills. They thrive on the high-level risk taking and unpredictability that new ventures provide daily. Unfortunately, corporations seldom fully utilize their talents.

In contrast with entrepreneurial employees, those with a traditional management mindset are typically considered the norm. But, I discovered that misunderstanding occurs with this group, as well. Companies may ask them to leave jobs in the core business to help launch a new venture, a task for which their personalities, unlike the entrepreneur's, may well be ill suited. nonetheless, many make the transition expecting to return later to the core business, but then find that door has been closed.

Understanding the Entrepreneurial Mindset

People frequently refer to corporate entrepreneurs as *intrapreneurs*. Business writer Gifford Pinchot popularized the term several

decades ago in his book *Intrapreneuring: Why You Don't Have to Leave the Corporation to Become an Entrepreneur* (Harper Collins, 1985). I think management's preference for this term is evidence of the paradox we encounter regarding the entrepreneur in established organizations. For many managers the term *entrepreneur* strongly connotes a maverick, a radical individual, or even the proverbial loose cannon—someone disinclined to adhere to policies and procedures. The term *intrapreneur*, therefore, may help to distinguish internal entrepreneurs from the more familiar self-employed variety.

One of the difficulties encountered in studying intrapreneurs is a broad lack of understanding about them. There is no common definition or consensus within the academic and business communities about whom they really are. Instead, I found that organizations frequently apply the attributes of external entrepreneurs to their own intrapreneurs. To help better understand this issue, I developed a research methodology that enabled the examination of 33 related behaviors and 17 competencies. Subsequent study findings showed that we can broadly classify entrepreneurs within a corporation as follows:

1. **CREATIVES:** These are the people with the most innovative thinking skills. They are quick to see new approaches and tend to look at things from unusual viewpoints. Their perspective, however, generally remains at a highly conceptual level.
2. **DOERS:** This group is also creative, but to a somewhat lesser degree. Their unique talent lies in figuring out the myriad details that will enable a concept to become viable.
3. **EXECUTORS:** These are the individuals who thrive on the daily challenge of actually making the business a reality and surmounting the obstacles that will inevitably come their way.

It is indeed rare to find all three categories represented in a single employee, so when developing new venture teams it is important for

management to assure that each team includes individuals whose talents collectively span all three of these critical areas. Interestingly, the research also showed that the average intrapreneur profile closely coincides with that of CEOs, probably because they fill similar roles, albeit at different organizational levels. It is important to note, too, that a team too heavily weighted in one of the above categories has less chance of succeeding, so balance is crucial.

Nurturing Entrepreneurial Behavior

Comparing companies that have a history of success in new venture development with those that have fared less well reveals that a major determinant of success is how management regards and acts toward its entrepreneurial personnel. Analysis of the attitudinal and behavioral differences of these employees suggests there are several changes organizations can make to more effectively foster intrapreneurial behavior. These include the following:

- Recognize the unique qualities that intrapreneurs bring to the organization and value them every bit as strongly as you do line managers. In a very real sense, intrapreneurs hold the keys to the company's long-term success.
- Give intrapreneurs the freedom to experiment, and recognize that frequent trial and error is an inherent part of discovery. Moreover, the freedom to experiment should not be reserved for new ventures and R&D departments, but cultivated throughout the organization—great ideas can emerge from the most unexpected places when given sufficient freedom.
- Assign intrapreneurs to your organization's biggest and most challenging problems—problems with a capacity to truly affect its future.
- Help intrapreneurs to overcome organizational hurdles. They may be adept at navigating such obstacles, but some systems

and processes occasionally might need to be altered, or rules bent, if the respective project is to have a meaningful opportunity to succeed.

- Provide training and professional development opportunities in key areas of entrepreneurship, such as navigating amidst uncertainty and creative thinking.
- Proactively recruit entrepreneurially inclined individuals.

The overarching finding of this study is that long-term success requires establishing corporate entrepreneurship as a core competency, then nurturing it with the same degree of commitment given to other core business elements. In brief, this means providing full support that begins at the board and CEO levels. Without top-level support, intrapreneurs quickly become disenchanted, new ventures languish, and the company's future grows less certain. Conversely, when senior management understands, values, cultivates, and manages the organization's entrepreneurially minded employees they also help assure its long-term vitality.

About the Author

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