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Striking a Balance:- Fostering Corporate Entrepreneurship

Introduction

“Grow smarter or die”. That’s the stark choice faced by large corporations today. The twenty-first century atmosphere can be characterized in terms of a new competitive landscape that encompasses increasing risk, decreased ability to forecast, fluid firm and industry boundaries, new structural forms, and an innovative managerial mindset. This new landscape can be described in terms of four powerful forces: change, complexity, chaos, and contradiction. In this scenario, any entity that is not continually developing, acquiring, and adapting to the new and changing environment, may be making, in the words of Merrifield, “the unintentional strategic decision to be out of business within a few years”. Today’s businesses are taking that extra step to promote Corporate Entrepreneurship to keep their wheel of innovation spinning. ‘Corporate Entrepreneurship’ (CE) is the way forward to instil entrepreneurial behaviour in an established, larger organisation. Change, innovation, and entrepreneurship describe the mantra for today’s successful companies.

Brain Drain: What led to the Emergence of Corporate Entrepreneurship?

Dr. Andrew Grove, renowned CEO of Intel, published a book called ‘Only the Paranoid Survive’, where he wrote at length about the ‘Inflection Point’. He defined an inflection point as “An event that changes the way we think and act.” It has the power to transform business, the organisation, and individuals.

In the mid 90’s corporate executives observed that venture capital firms were investing in ventures those were created, very often, by the members of the corporations itself. These employees left the large firms in order to create a new high potential venture, which many a time competed in the same space and pursued the same customers as the large company. In a few extreme cases the newly created public offering had a market share that was greater than the parent.

Clearly executives had to do something to stem this departure of growth and talent. It is at this inflection point that corporate entrepreneurship emerged.

A Win-Win: Value for both corporation and employee

In today’s global market place where the only constant is change, continuing change, inevitable change; corporate entrepreneurship (CE) appeals to both corporations as well as individual employees. The intrapreneurial spirit in companies helps to not only boost their bottom lines but also send them in profitable new directions by turning employees into in-house entrepreneurs. Moreover, it harnesses the energies of the talented minds and gives these valued workers a reason to stay, directly fighting the attrition problems. It alters the

company's status quo particularly in the turbulent times like today and helps them stay ahead of competition.

While it seems like a necessity for organisations, one would wonder what motivates individuals within the organisation to turn into intrapreneurs. It's attractive because it gives them a convenient opportunity to live out their entrepreneurial dream without assuming all the burdens of establishing an entirely new venture. One can leverage on an existing business by getting an easier access to capital sources, customers, infrastructure and management pools, and by using the company's name and goodwill. With no liability towards building support functions such as technical, human resources, IT or accounting departments, the entrepreneur can focus on the core. There is also a sense of security that their stream of income will keep flowing even in challenging times. Clearly the risk is lower in case of CE. Ultimately individuals engaged with an entrepreneurially oriented firm would find employment more satisfying and lucrative. They would perceive their association with the firm as one with long term value creation.



Fig1

The Flip Side

The ability of CE activities to create value for the organisation over long term is well recognized, but many road blocks are faced in the actual implementation of this concept. It has increasingly become an important people's issue which needs to be dealt with extreme sensitivity. And this is where it is needed to keep the basics in mind and continue using the time tested practices. It is an established fact that an entrepreneur is characterised by his high risk-taking capabilities and hence it seems logically more probable that he would prefer to take the high-risk and high-reward path of going solo instead of the low-risk and low-reward proposition of staying on. Also the parent company usually usurps his intellectual property and takes the ownership of the final product or service. Thus age old HR practices to handle the human capital with care will come handy.

An entrepreneur cannot be incentivized using only financial rewards. For such individuals money is not the guiding force but a by-product of their passion to follow what they believe in most. Of those who are retained, many a times the blood, sweat, toil and tears are not invested at the same level and that may eventually affect the success of the venture.

Therefore a very innovative and personalized approach is needed indeed to motivate and retain such individuals who are an asset for a corporation which has to survive in the highly competitive times. This can be achieved only by using time tested practices in tandem with the new approach.

Virtual Corporations-Challenges ahead

With outsourcing and subcontracting a new workforce has spawned which consists of temporary employees who are contracted at will for short-term assignments. If this phenomenon, which has in it the makings of a virtual corporation, is the futuristic organisational structure, there will be implications for programs and explicit strategies designed to meet expectations for increased creativity and employee involvement in the workplace.

Nurturing Corporate Entrepreneurship: Creation and Retention

Managers of today need to identify ways and means to promote an entrepreneurial culture in their organisations and at the same time retain individuals with high calibre. I would define organisations which are entrepreneurial as the ones having serious commitments to both incremental (“continuity”) and radical (“change”) innovations. Therefore, it is important for the whole organisation to constantly breathe an air of innovation and excitement while avoiding drastic changes within the organization that could affect the morale of employees. It should institutionalise practices that establish an organisational environment in which innovation is considered an accepted response to organisational problems. These practices are just new ways to build the old tenets of commitment and enthusiasm by creating a shared sense of purpose and meaning in the organisation. Moreover, it leads to the development of a culture that encourages creativity and creates a passion for innovation in the firm.

An organisation's entrepreneurial success depends on having an appropriate internal state, culture and legitimizing processes, which should be initiated and structured through the top management's commitment to a philosophy of risk taking, proactivity and innovation. To my mind comes an interesting proposition of adding a 'Chief Entrepreneurship Officer' or CNO to the 'C-suite' of CXO's. In the past, we saw the impact of the birth of a CIO when IT spirit had to be infused in organisations. Similarly, today's need is to inculcate an entrepreneurial spirit throughout the organisation. It is certainly much more than just promoting R&D activities because a good idea is not necessarily a good business idea. Therefore, creation of a CNO would streamline and also accelerate this process. Although bottom-up participation through employee empowerment is wholly supported as critical to entrepreneurial ends, initiatives and directives for pursuit of such activities are more commonly and realistically instigated through top management discretion.

It is important for the top management (for eg. CNO's responsibility) to make sure that resources are available, especially time, for example 3M's “bootlegging” policy or W.L.Gore's “dabble time” policy where employees are encouraged to carve from day-to-day

assigned duties, a block of time to devote to a project perhaps unrelated to his current duties or responsibilities but which he believes to be worthwhile and feasible. Among the potential benefits to such a program is its positive effect on the loyalty and satisfaction and indirectly on performance. Another is that the process of managing innovation is decentralized, with individuals being responsible for implementing the corporate intention to engender creative efforts and outcomes.

In short, the traditional route of strategic leadership, top management support and their commitment towards building an appropriate structure and culture is crucial for cultivating CE capability. It also plays an instrumental role in inducing and maintaining an organisation-wide ongoing innovation-initiative.

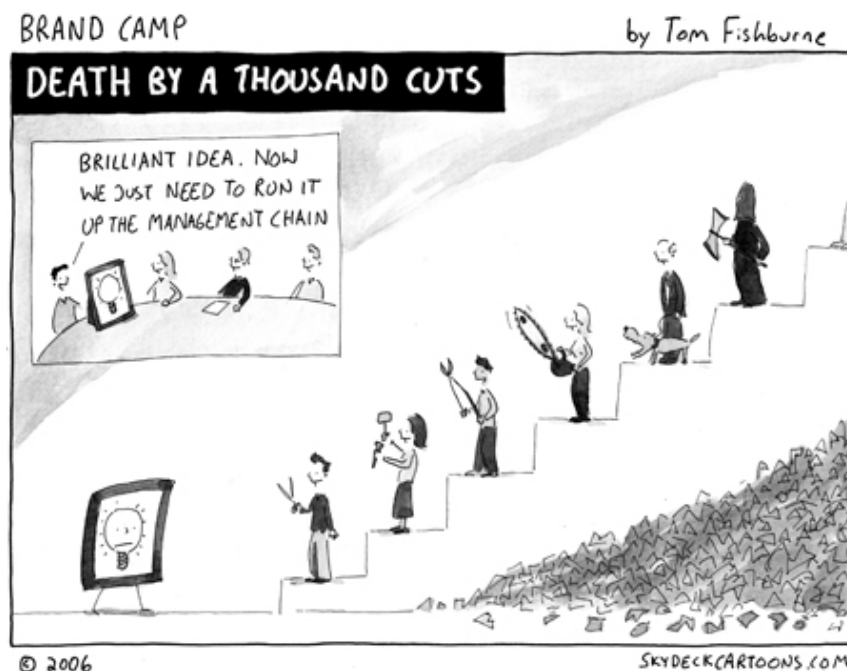


Fig2: Importance of a favourable organisation structure

While the above mentioned steps ensure that a culture of entrepreneurship is established, steps need to be taken towards retention. An entrepreneur should be promised a free-reign and comfortable environments where he can take complete ownership of his idea and develop it into a feasible business with full support whenever required from the parent company. Apart from the monetary benefits like profit sharing arrangements, intrapreneurs should be rewarded with recognition by promoting company's success stories and champions' enhanced status, and the opportunity to engage in entrepreneurial activity on a bigger scale. For instance, an opportunity to drive their project into a new business division.

Failure should be considered normal so that intrapreneurs perceive low personal/career risk. Despite their ideas flopping, it is crucial that their efforts be rewarded. And the focus should be on problem solving and learning from failure rather than on apportioning blame.

It is now of paramount importance that organisations demonstrate the willingness to break from traditions by embracing initiatives that run counter to the way the things had been done in the past.

Take for instance, the initiative that Intel took by establishing an in-house business incubator, “New Business Initiative” to bootstrap new businesses that the company’s own employees propose and start or the radical HR policy at HCL called “Employee First” wherein the employees and their personal development take precedence over everything including the customer and the company’s bottom line.

It may look ridiculous to the uninitiated but the logic here is that if every employee feels a sense of ownership for the business handled by him, then there will be a truly a win-win situation in terms of ultimately doing away with unnecessary supervision; and also in terms of innovation-driven growth on part of the employee, which ultimately translates into healthier profits and most importantly, in today’s volatile environment, a sustainable growth.

CE at Samsung: An Insider's Story

At Samsung Electronics, I personally experienced how a large enterprise nurtures innovation and entrepreneurship. As a bunch of fresh engineering graduates, we were encouraged from the very beginning to think out of the box and not fear straying beyond the prescribed boundaries of our project. This motivated us to keep ourselves updated with the latest in technology and keep our thinking caps always on. We would brainstorm new possibilities and ideas with our colleagues and superiors. With their support and encouragement, we were able to develop new ideas, file patents, and write research papers apart from our regular responsibilities. Further an “Idea Generation Team” was created within the company to internally generate and exploit strategically and financially viable projects. This was a step taken to counter the sudden dearth of projects in the recessionary times. With this example it becomes much easier to relate to the CE theories in a practical way.

Conclusion

Today’s nirvana of the global marketplace although extremely exciting but is highly frustrating. Somehow, dominance has become as much a liability as an asset. Small, nimble competitors can emerge from nowhere, move with blinding speed, and subvert industry incumbents, because incumbents can’t respond quickly and effectively. In short, with information and disinformation proliferating together, both risk and reward appear to be on the upswing. To survive, let alone thrive in this climate requires creating and continually renewing a spirit of entrepreneurship while keeping the basics in mind. Corporate entrepreneurship is not just a faddish and vacuous concept; it is a vital function of complex adaptive systems. Many world class organisations are already involved in this unique practice and many more are joining the bandwagon. A crucial underpinning to the suggestions in the essay is that a right balance must be found between change and continuity by making corporate entrepreneurship a strategic, mission-driven and

institutionalized activity, the responsibility for which lies in the top executive offices. It is the top management team that should carefully initiate, cultivate and maintain this process of CE through structure and cultural engineering to ensure that entrepreneurial values, behaviours and processes are consistently implemented throughout the organisation. The bridge between the employee and organisation has to be narrowed and their needs be mutually met without compromising one for the other. Corporate entrepreneurship must truly become a win-win, thereby becoming a successful concept of the future.

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