

Intrapreneurship



A lower-risk strategy for corporate renewal

January 2014

Introduction

Entrepreneurs create organizations by combining ideas, resources and risk capital to make products and services that the market values.

Some of these organizations grow to become well-established mid-sized firms or even large corporations. They will go through several phases of growth that require a magnitude of different skills. Some entrepreneurs adapt to the changing demands of leadership. Others will accept new roles or be forced to accept professional managers and leaders to navigate the necessary change. A few founders will leave to do what they do best.

After a period of growth and success, organizations often face strategic drift and market irrelevance because the purpose and actions of the company begins to diverge from what the market values.

There is little doubt that strategy, structure, process and professionalism are essential for a growing firm but these by themselves do not guarantee success. Firms will buy innovative firms, merge, divest or hire external consultants to have the strongest strategic options. They might change the leadership team. But even these have mixed results.

There is another option for a company with an unclear future: Intrapreneurship. This is the discipline of creating new enterprise from within the organization, by deliberately forming conditions and empowering a select team to revitalize the organization and re-engage with the market.

This white paper is based upon the author's thesis¹ which included research and analysis of over 100 studies, books and articles, as well as his own experiences in a number of mid-sized companies working in different sectors.

Entrepreneurs as a group, have a wide and sometimes contradictory set of traits and characteristics, which makes generalization difficult. Perhaps the two main exceptions are drive, and comfort with ambiguity. If a company is willing to sponsor a driven change agent who plays by different rules, and relishes ambiguity, then intrapreneurship may be the right option.

Benefits

Research strongly indicates that intrapreneurship is beneficial to the organization. The benefits can include growth, strategic survival and change. It also helps keep the retention of valuable talent, and build new knowledge resources. A culture of innovation and involvement is often widely reported.

Mid-market firms may be stuck between tradition and evolving market demands, and squeezed by nimble new entrants and enterprise competitors. They may have lost entrepreneurial edge or have been too reliant on one or two key clients for ideas. The right intrapreneur can help set a new path.

¹ www.hmconsulting.ca/documents/intrapreneurship.pdf

Reasons to start

Implementing intrapreneurship is not a short term solution and takes time and discipline to implement. As such, it cannot be seen as a knee-jerk crisis response, but properly implemented, help avoid one.

All companies need eyes, ears and foresight. Customer needs change and markets evolve, grow or mature. Production processes and service delivery are in a continuous improvement loop. Over time, something called creative destruction happens and changes everything. Entrepreneurs relish change. Established companies relish and fear it.

Intrapreneurship can answer the following questions;

- What can we do with our existing capabilities?
- How can we satisfy that new market opportunity?
- Why are our innovation teams not making progress?
- Why are we not acting on the ideas and observations of our staff?

As mentioned in the introduction, the buy/sell/merge/consult options are viable. But they can be costly, unpredictable and promote internal anxiety because the change is seen to come from outside.

An approach of using the right intrapreneur, with the right mandate can mitigate the risk, cost, certainty and legitimacy concerns.

Strategies to create Intrapreneurship

Intrapreneurs, like their close cousins the entrepreneurs are both born and made. So an intrapreneur may self-identify or need to be selected.

Entrepreneurs have a blank canvass, few rules and genuinely scarce resources. Intrapreneurs, by contrast have the company history and culture, established codes, cultures and ethics, and artificially limited resources.

Scope the problems

A problem may be an issue or an unfulfilled opportunity. The leadership may be clear or uncertain about the scope of the problems. There may be restricted channels of communication in the company or a culture of silos that make discovery difficult. Problems can arise due to a crisis or be part of an undercurrent in management meetings.

Having a high level strategic review is an essential exercise because it identifies and prioritizes the key issues and opportunities to be addressed and allocates them a budget and accountability.

Not all problems can be solved by intrapreneurship. Matters of finance, governance and law are the more obvious examples. Generally, intrapreneurs can create teams to solve problems where there is a misalignment of what the company does and what the market needs. The misalignment can be a failure in internal processes, market offerings or external processes.

The key strategic items that can be addressed potentially by an intrapreneur should be further analyzed to create a set of desired actions, measurable outcomes and a list of skills and resources necessary. This will form much of the hire sheet for the intrapreneur.

Exceptionally, a trusted intrapreneur may be asked to identify strategic problems with little guidance from the leadership team. This could provide the necessary fresh pair of eyes needed, but needs caution.

Find the intrapreneur

Intrapreneurs may present themselves before senior management has even identified the need. This is ideal if the candidate fits the scope of the problem. Caution is required if an otherwise strong candidate feels overlooked and leaves the company.

Where there are several candidate intrapreneurs, a firm may elect to set up an internal market and ask the intrapreneurs to compete for selection, funding and resources.

The research points to a number of desirable characteristics and achievements the intrapreneur should ideally possess. Domain, process or technical knowledge is clearly essential but more important are;



The intrapreneur needs to be liked by, trusted, sponsored and funded by a senior executive, and able to build a strong relationship with HR. They must be adept in building and sharing knowledge within the company using formal and informal systems.

Intrapreneurs can be focussed on innovation or administration and may have internal or external clients, or both. Some organizations pair intrapreneurs with complementary skills and traits.

The candidates should be assessed for their suitability based on the necessary factors, their desire for the post and their ideas for team selection. Operational impact studies may also be required as these high performing staff will already be playing important roles.

The intrapreneur will have a unique background and skill profile which needs to be complemented by internal and external training. The need to grant extensive, formal power to the intrapreneur cannot be understated. This may be hard to balance but must be pre-negotiated.

Set the scene, build the team

Now that a mandate has been set, and an intrapreneur has been appointed, the hard work begins. A cohesive team that can put plans into action is essential. The intrapreneur should be responsible for identifying team members, but with guidance from HR, the sponsor and of course the budget.

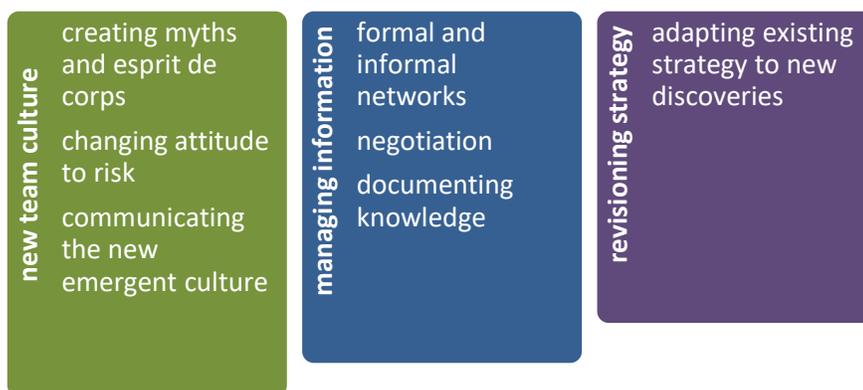
The rules and structure around the team and its activities are no less critical. The company's aim is to replicate the drive and innovation of a start-up entrepreneur but manage the risk and impact of its activity. There is no one correct formula for this as each problem and organization is unique.

Nonetheless, the following should be considered;

- ground rules and costing for internal resource usage
- team roles and responsibilities
- rules governing internal and external JVs and outsourcing tasks
- brand and reputation management
- choice of structure (autonomous, matrix, dual report)
- use of contractors and secondment
- IP and confidentiality protection

Aside from these more formal considerations, the intrapreneurial team must understand and shape more ambiguous and informal structures interactions.

These can include;



Monitor and control... to a point

The firm has successfully begun a strategic initiative, albeit with a different mode of implementation. Monitoring and control against well established criteria are important but there needs to be allowances for the more exploratory or experimental mandates.

Companies such as Google and 3M create a culture where creative time is part of the contract and culture. The intrapreneur should be coached rather than managed, and be given enough leeway to make mistakes and test boundaries. After all, those boundaries may be part of the problem.

Ambiguity of Intrapreneurship

There are potentially 8 ambiguities that a firm, its intrapreneur and team must navigate.

1. Strategic fit or stretch. Is the strategy too dangerous or too safe?
2. Power. Breaking rules or upsetting established practice will be necessary but where is the limit?
3. Resources. The team gets their own or shares? Time and cost are the issue.
4. Change / Culture. Too much change or too little and failure may result. Who is responsible?
5. Focus. Creating value or saving costs? Need different styles of intrapreneurship
6. Accountability. Too few rules or too many?
7. Integration. Is the team too close to the existing organization or too separate?
8. Risk. Who should manage it? The intrapreneur or the executive team?

These ambiguities only reflect the dynamics of the wider market, and should be embraced rather than pondered over.

Summary

Successful intrapreneurship revitalizes a company's fortunes by bringing structure and discipline to entrepreneurial activity, with a healthy attitude to ambiguity.

Most companies with at least 25 employees will have at least one candidate intrapreneur who might be the ideal agent of change.

Rather than wait for a crisis to happen, all firms should consider this model as at the very least, it prepares new management material and quite possibly strategic renewal.

About hathway management consulting

We are a management consultancy specializing in business technology and strategy. Please feel free to contact us with any comments about this paper or other enquiries.

Dan Hathway

 604-441-1579

 Suite 170, 422 Richards St, Vancouver, BC V6B 2Z4

 dan@hmconsulting.ca

 www.hmconsulting.ca

 ca.linkedin.com/in/danhathway/

