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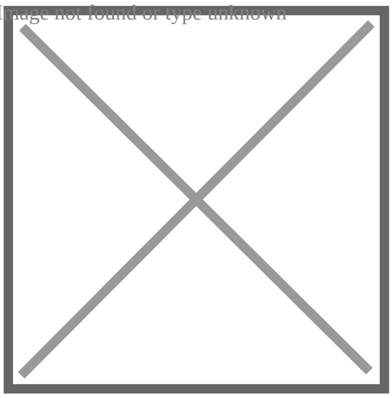

Intrapreneurship – What’s the Secret Sauce?

Description

When Gifford Pinchot III first coined the term ‘intrapreneur’ in a 1978 academic paper, it was the era of big business and big taxes. Economies were much slower moving than they are today, and while small businesses existed in large numbers, entrepreneurs were not the vital, energetic presence they are today. As such, businesses looking to create ‘innovation’ in mature organizations had few role models to emulate.

Learning to take Risks Again

Today the risk-taking, well-funded entrepreneurial ventures of Silicon Valley and its myriad satellites in cities around the world are a testament to the vitality of the start-up environment. Entrepreneurs are no longer peered at with suspicion as eccentric, fringe players, but rather seen as the very essence of a vibrant economy. Nevertheless, economies are still predominantly driven by the large and very large enterprises. Excluding the high-profile outliers, the best-paid employment is in large organizations; and large businesses, while representing only 1% of UK companies, deliver over 50% of the country’s GDP.

However large businesses tend to be mature businesses, and mature businesses are slow-growing and need to continuously search for new revenue opportunities to replace and reinvigorate the existing ones. The ‘ambidexterity’ of maintaining profitable current operations while exploring new ones is a well-observed challenge for business, and the need to be good at this is increasingly required as the pace of change quickens.

The challenge of starting a new business within an existing one is considerable. It requires a set of skills that is not always associated with large businesses but is also distinct from that of the entrepreneur too. So what are the key characteristics of the ‘intrapreneur’?

Managing the Tension

Andy Perkins, Director of Kaplan Leadership and Development, is a keen observer of ‘intrapreneurs’, and not just because he is leading an innovative, new venture within the Kaplan corporation himself. He also sees that the competencies of successful intrapreneurs are highly valued in many client businesses.

> At the root of all intrapreneurial ventures is a tension, framed around attitude to risk. New ventures are inherently risky. They require the management team to move quickly, expanding employee numbers and investing in plant and machinery at a pace mature businesses are not always comfortable with.

Critically they will be doing this in areas they are unfamiliar with, often in areas that are wholly unexplored or exploited by anyone before. This is the pioneering role of the intrapreneur.

Whilst the entrepreneur is given permission to take these risks by experienced venture capitalists or other investors that understand the ‘fail fast’ nature of new start-ups, the intrapreneur will have to do the same, but with funds allocated from a central budget and controlled by a Board that are not always comfortable or experienced with the higher stakes a start-up plays for.

This brings an inevitable tension, whereby the Board, on the one hand, gives its blessing for the intrapreneurial leader to play outside the normally accepted company culture and rules, but on the other, are measuring progress by the larger organization’s existing benchmarks: quarterly earnings, two and three year sales and revenue forecasts, performance reviews. These are metrics that new businesses can rarely provide: there are no earnings and forecasts are often guesses as there is no existing business to extrapolate numbers from.

Culture can eat Intrapreneurism

Ultimately, as Perkins notes, the defining competency to enable the intrapreneurial leader to perform is ‘trust’.

> The intrapreneur needs to have the complete trust of the Board. There will inevitably be tensions and disagreements when things do not go as planned or expected in the new venture, and the intrapreneurial leader will need a store of trust with the company’s bosses to see them through these moments.

Integral to this is a profound understanding of the larger company’s culture; not so that this can be replicated in the new venture, but so that the intrapreneur will be acutely aware of times when the new venture is pushing against the culture, and they can explain and pre-empt any objections. By showing an understanding of where these tensions occur, trust can be maintained and fostered. Perkins believes that bringing in an outsider to build the new venture is not compatible with this approach, as the outsider will be less sensitive to the cultural norms that will be challenged as the new business develops.

With energetic innovation within mature organizations ever more necessary, Boards need to be able to identify ‘safe hands’ within their existing business that can also drive new ventures forward creatively. Perkins has a warning for those who seek to manage intrapreneurs:

> They also need to understand how much space to give, in which these ventures can develop, make mistakes, and adapt without too much pressure from above, which can

squash the energy and creativity that is required to navigate through the early stages of a business’s growth.

These abilities are born of experience, judgment, and behavior rather than technical or functional skills. Nonetheless, they need to be learned and practiced to allow true ‘ambidexterity’ to flourish.

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