

Inner strength



Corporate entrepreneurship is on the rise but companies need to do more to fully benefit from internal innovation, writes Iwona Tokc-Wilde

Intrapreneurship - where company employees are encouraged to develop new business ventures or special projects in-house - is not a new idea, especially not in the US. Google set up its Innovation Time Off programme more than a decade ago to foster internal entrepreneurship and out-of-the-box thinking, resulting in Gmail, Google News and AdSense.

Some 30 years before Google, 3M (formerly known as the Minnesota Mining and Manufacturing Company) allowed its staff to research and undertake projects that went beyond their core responsibilities. The results were Post-it Notes, Scotch Tapes and Scotchgard fabric protector. Another famous intrapreneurial invention dates back to 1995, when Sony executive Ken Kutaragi introduced the PlayStation games console to the US.

But today some companies are embracing intrapreneurship as never before, and for good reason. Research from the Economist Intelligence Unit (*The innovative company: How multinationals unleash their creative potential*) shows that, "in a world of fast-changing technologies, markets and consumer preferences, innovation is a strategic priority for all companies, regardless of their size, location and industry". Creating new products and services has become a priority for 54% of companies worldwide, more important than cutting costs or investing in talent.

The most cost-effective way of harnessing new ideas capable of generating new revenue is from within, by encouraging collaborative innovation across organisational lines. UKFast is an

internet hosting company. Its eCloud platform was designed and built in-house, by the company's tech team, following feedback from client account managers. "It brought in more than £1m in recurring revenue in the first two months after its launch and now generates over 18% of overall revenue," says Lawrence Jones, UKFast's chief executive.

Creative agency Albion works with Skype, eBay and Zoopla. Two years ago, its PR director Bryce Keane spotted a gap in the market for start-up focused PR across London's tech community, and sub-agency Albion Drive was born. It now has over 20 clients and has generated close to £825,000 in revenue.

Jason Goodman, chief executive of Albion, says: "Under Bryce's leadership and the endorsement of the senior management team, Drive has become one of the fastest-growing parts of the business. It boasted 300% growth last year alone and contributes over 10% of the group's total revenue." Goodman adds that the success of Drive was one of the contributing factors that led to KBS+, a New York-based creative agency, acquiring a majority stake in Albion last August. "Their business model of nurturing intrapreneurship is similar to ours so they recognised the strength of Drive's growth," he says. The deal was reported to be worth between £20m and £30m.

Another benefit of intrapreneurship is the potential for cost-savings, if intrapreneurs direct their efforts at their company's systems and processes. "When one of our R&D team heard about the cost of an off-the-shelf phone system, he

Younger employees in particular want a diverse and challenging career, and possibly a business of their own. Research from EY shows that millennials, or Generation Y, are entrepreneurial, with 68% of 25-34 year olds aspiring to run their own business. "Entrepreneurs are generally made not born, and many have often spent time in a corporate setting

When Deloitte announced its £25m Innovation Investments scheme in November 2014 to help its employees create and run in-house start-ups, it knew the initiative would appeal to younger staff. "It's no longer the case that all of our promising talent want to

follow the traditional route to partner - many want variety and flexibility in their career to enable them to express themselves, experiment and develop a broad set of skills," says Simon Owen, Deloitte's managing partner for innovation and solutions.

But it has also received a lot of interest from older staff. "Many of them have financial and family commitments that can make it difficult to go it alone, whereas this way they can maintain their salary and grow their business without having to personally invest in it," says Owen. As of January, there were more than 100 business ideas submitted. "We anticipate launching the first of these in the coming weeks," Owen confirms.

Miguel Meuleman, entrepreneurship professor at Vlerick Business School in Belgium, believes intrapreneurship appeals to all generations, saying: "Most people can contribute to the process if they are triggered by the right organisational culture." Meuleman adds that the culture must be "open", allowing people to share ideas across departments and to work in cross-functional teams, not in silos. The culture should also be outwardly open and the organisation should be willing to share ideas with customers, suppliers, even competitors. "Opening up is key to becoming more innovative but it's a big weakness of many traditional companies," he says.

Installing an entrepreneurial culture is something many businesses aspire to, but often fail to follow through. Research from

the Economist Intelligence Unit shows they believe such culture should "encourage new ideas from everyone" and "have a high tolerance of failure". However, 30% of companies globally still "do not take steps to ensure those conditions are present".

These companies fail to capitalise on the potentially massive pool of innovative ideas their employees often have. Research from EY shows that, although 82% of professionals working in some of the UK's largest businesses have had ideas that could lead to new revenues, only just over half of them have been able to implement them in their workplace. Large businesses based in London are embracing intrapreneurship faster than those in other regions though - 50% of employees working in London feel their company has an entrepreneurial culture as compared to 29% nationally.

Also, both internationally and in the UK, high-tech companies tend to be ahead of the game when it comes to intrapreneurial initiatives. "It's the industry where the pace of change is the greatest and innovation is key not only to grow but also to survive. Tech companies have to innovate their innovation management model itself and intrapreneurship is one new dimension they investigate and test," says Olivier Leclerc, former director of entrepreneurial initiatives at Alcatel-Lucent, global provider of network solutions.

But on the whole UK businesses are still largely reluctant to foster intrapreneurship. ICAEW's head of enterprise Clive Lewis thinks most companies would probably struggle to persuade the right people to take part in such initiatives because the

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Intrapreneurship has been identified as a key strength of organisations classified as innovative, creating a culture of free thought and experimentation.

The 20 most innovative companies of 2014 were:

1. APPLE
2. GOOGLE
3. SAMSUNG
4. MICROSOFT
5. IBM
6. AMAZON
7. TESLA MOTORS
8. TOYOTA MOTOR CORPORATION
9. FACEBOOK
10. SONY
11. HEWLETT-PACKARD
12. GENERAL ELECTRIC
13. INTEL
14. CISCO SYSTEMS
15. SIEMENS
16. COCA-COLA
17. LG ELECTRONICS
18. BMW
19. FORD MOTOR
20. DELL

Source: 2014 BCG Global Innovators Survey

UK has one of the most welcoming environments in the world for starting a business. "People prefer to have a go themselves. The money for start-ups is easier to find now than it was five or 10 years ago. Many use crowdfunding to find the money to develop the product to the point when it's scalable and then go on and do it," he says.

It is a different story in Denmark, Norway and Luxembourg, the top three European countries for intrapreneurship according to the Global Entrepreneurship Monitor's 2014 Global Report. In Denmark for example, over 11% of employees are classified as intrapreneurs.

Giving staff time away from their day jobs to work on creative projects is paramount if internal innovation is to flourish. "Intrapreneurs are also encouraged by having more time for developing their skills, and by having more space for experimentation," says Alan Brown, professor of entrepreneurship and innovation at Surrey Business School.

3M's employees get to spend 15% of their time working on their innovations, whereas Googlers get 20%. "UKFast's R&D team also spend 20% of their time working on their pet projects," says Jones. Deloitte's intrapreneurs, if they can demonstrate the feasibility of their business idea, will enter a funded "incubation" period when they will stop working on their day-to-day responsibilities to focus full-time on developing their start-ups.

Research from the Economist Intelligence Unit also shows that "strong leadership" is a major factor for encouraging innovation. "It has to start with top management support, financial as well as through

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special programmes or bootcamps being set up," says Meuleman. But Brown warns against a too structured approach: "Any form of innovation requires elements of experimentation, but this must be managed within a structured approach. It's this blend of anarchy and control that must be established," says Brown.

Olivier Leclerc ran Alcatel-Lucent's four-stage annual intrapreneurship initiative for France and the EMEA region between 2008 and 2012. Employees were first given three months to submit their ideas. In round one selection, an innovation board headed by the chief executive for France invited authors of the 15 most promising ideas to make their pitch and to form project teams to develop their ideas over the following three weeks.

Progress was evaluated in round two selection, which chose seven teams to take part in an eight-day bootcamp and to be mentored by members of the innovation board for three months. The teams then presented their business plans to the innovation board and to outside investors. Of the 30 projects that reached this final selection stage over four years, three led to new product lines or service offerings. "That's a 10% success rate, similar to that of start-ups," says Leclerc.

But all of this will only bear fruit if a business employs intrapreneurs in the first place. It therefore makes sense to recruit for entrepreneurial characteristics. According to Steve Wilkinson of EY, such people "see opportunity where others see disruption; are tenacious and visionary; and have the ability to work in and

motivate a team". But finding them could be easier than keeping hold of them.

Unless they are properly rewarded for their intrapreneurial efforts, employees may decide that a start-up of their own is the way to go. Meuleman says that, on top of financial incentives and innovation awards, intrapreneurs should be rewarded with promotions, even if their venture fails.

While Deloitte's start-ups scheme will initially remain owned by Deloitte, the firm will ensure the originator is rewarded appropriately. "In addition to being paid their full salary, they'll also receive a bonus based upon the performance of their business and a share in the profit from any sale of the company," says Owen.

On this last point, American academic Steve Blank advises corporates to proceed with caution, pointing to Xerox's intrapreneur fund Xerox Technology Ventures (XTV) as an example.

XTV start-ups were so successful and its fund managers rewarded so handsomely that the parent company wrapped it up prematurely because of internal dissatisfaction. "The success came largely from Xerox technology and customers, yet the start-up companies XTV funded got all the credit," writes Blank. "XTV won in the market, but lost inside the corporation". For intrapreneurship to work, the organisation must be prepared to sustain internal support for ventures over time, advises Blank. "Ventures that launch without this preparation are at great risk as soon as the initial enthusiasm for innovation begins to wane." ■