

# Building Corporate Entrepreneurship Is Hard Work

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It's easy to tout your entrepreneurial culture. But it will fail if you don't follow the right steps.

by *Sangeeta Badal*

Businesspeople love to talk about building "entrepreneurial cultures." The very term evokes the excitement and success of Google, Apple, and Facebook. The problem is that large established companies are often lousy at actually being entrepreneurial. Need I remind you about New Coke? Or Crystal Pepsi? Or the Ford Edsel and other failed launches?

Unfortunately, failures such as these can make companies risk-averse, even though the entrepreneurial behavior that leads to innovation is vital for business. But paradoxically, the very things that ensure a company's survival and success -- established routines, specialization to maintain competitive advantage, and structure and systems to ensure stable output -- act as obstacles to entrepreneurship.

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## Four key steps

While companies can succeed with routine and structure, they will find it difficult to lead the market that way. And today's hypercompetitive globalized business environment rewards companies that get to the market first. So companies that can find, support, and nurture their own entrepreneurs are the likeliest to succeed. Here's how they do it.

**1. Break the silos.** It's not unusual for large corporations to limit entrepreneurship to a few departments, such as R&D and IT. This totally misses the mark. I equate it to the practice of teaching entrepreneurship only in business schools and expecting all business majors to magically turn into entrepreneurs.

Yet entrepreneurs rarely come from business schools. They arise from fields as diverse as chemistry, psychology, mathematics, history, literature, or biology. In his 2010 iPad release speech, Steve Jobs elaborated on the reason for Apple's success: "It's in Apple's DNA that technology alone is not enough. It's technology married with liberal arts, married with the humanities, that yields the results that make our hearts sing."

Universities should cultivate an entrepreneurial culture across all faculties. Similarly, large companies should create an entrepreneurial environment across all divisions. Engage the entire company in

becoming more risk-tolerant and entrepreneurial. Unleashing multidisciplinary collaborative thinking will put the company in a better place.

Furthermore, breaking silos can potentially bridge the gap between innovation and entrepreneurship. Large corporations are generally not short on great ideas; what they lack is the entrepreneurial risk taking and passion to bring the idea to the market. Uniting the genius of the idea generator and innovator with the ingenuity of the entrepreneur is what ultimately makes companies successful.

**2. Identify and foster talent.** Not everyone in the company will have the innate talent to excel as an entrepreneur. Identify your elite performers across the company. Once you know who they are, look for their traits in your incumbents, and screen for those talents in new hires. Then allocate appropriate financial and nonfinancial resources to support these individuals and increase the probability of extraordinary performance.

**3. Create the right environment.** Just identifying talent isn't enough. Companies must create the environment to foster it. The most successful entrepreneurial environments:

- *Are open to risk taking.* Encourage managers and employees to tolerate failure and accept change. This enhances a firm's capacity for breakthrough innovations.
- *Encourage trusting relationships.* This creates a culture of trust among employees and managers. Having strong relationships in the workplace also encourages employees to take risks without the fear of losing their jobs.
- *Build skills and knowledge.* Provide employees and managers with opportunities to learn and grow. Support new ideas and employee-driven initiatives.
- *Offer management support.* When senior leaders don't walk the talk, no amount of entrepreneurial efforts made by employees or middle managers will work. Senior leadership's commitment to innovation, openness to change at all levels, and most importantly, delegation of appropriate authority to managers and employees to try new ideas sends a clear message to employees that the company is serious about creating an entrepreneurial environment.
- *Permit access to resources.* Provide employees with resources, time, and material. Companies such as 3M and Google let employees spend 15% to 20% of their time working on side projects of their choice. Employees should know that they have resources available to embark on new and innovative projects.
- *Maintain a supportive organizational structure.* Complex hierarchy and elaborate policies are designed to bring order, but they also constrain entrepreneurial activity. Simplify approval procedures, cut the red tape, and keep organizational flexibility.
- *Set realistic performance goals.* Entrepreneurial undertakings, by their very definition, have unknown outcomes. Set realistic timelines and reliable performance measures for entrepreneurial initiatives. Design employee reward systems that accommodate failure, tolerate ambiguity, and keep the focus on long-term outcomes.

**4. Continually assess the environment.** Regularly monitoring and measuring a company's progress on the entrepreneurial path is crucial. Google wasn't built in a day. It takes time and effort to create an entrepreneurial culture. Annually surveying the heads of IT, R&D, and chief innovation managers about the state of the company's innovativeness or entrepreneurial ability is a good idea, but it's not enough. A

leader may think the company is entrepreneurial, but for employees, the reality may be entirely different. So it's important to ask employees about how they perceive the environment. Do they believe that company leadership supports entrepreneurship? Does their day-to-day environment allow or encourage entrepreneurial thinking and action?

The right approach is to survey workers at all organizational levels. Capture each employee's opinion on the issue, and share results at the team level -- that's the level at which employees and managers work together to achieve change. Continued assessment enables executives to measure progress and keep the momentum building toward an entrepreneurial environment.

### **Take a risk**

It's crucial to identify strategies that allow large firms to be entrepreneurial. Not all entrepreneurial efforts may yield benefits. But fostering an entrepreneurial environment helps companies create products and services that have significant social value, lead to business growth and wealth creation, and are sources of competitive advantage.

Just remember: Though the Edsel and New Coke linger as bad memories, Ford and Coca-Cola are still innovating, still fostering in-house entrepreneurship, and continuing to increase their market share.

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