

## The myth of the 'entrepreneurial employee'

August 13, 2012: 1:07 PM ET

**Isn't it a contradiction in terms to be an entrepreneur within a large corporation?**

By Katherine Reynolds Lewis

FORTUNE -- For over a decade, the promise of bringing the revenue-driving ability of disruptive innovators into a large corporation has tempted many a business leader. But in recent years, the cult of the entrepreneur has reached new heights.

Plenty of business books purport to teach top management how to create a culture that nurtures visionaries like Sergey Brin, Mark Zuckerberg, and Steve Jobs. A "Big Idea" article set to be published in September's *Harvard Business Review* heralds the dawning of a new age of innovation marked by individual "catalysts" that leverage the resources and reach of a large enterprise without losing the nimble agility of a startup.

It's no surprise that Fortune 100 leaders are looking for a game-changing concept to offer hope in the face of ever-escalating competition from overseas rivals and the pace of technological change. With wave after wave of entrepreneurial ventures successfully challenging corporate titans for market dominance, the establishment is right to be afraid. Any of the number of failed acquisitions of scrappy competitors demonstrates that buying the creative engine brings its own challenges. Moreover, to attract the most talented young people entering the workforce, big business needs to compete with the dream of becoming the next Jobs or Zuckerberg.

"Just about every leader recognizes that the pace of change in markets means that business as usual isn't enough. It's not enough to be a great operator, you have to be innovative, you have to think differently, you have to give birth to new businesses," says Scott Anthony, managing director for innovation boutique Innosight, and author of the forthcoming *Harvard Business Review* article, "The New Corporate Garage."

### **MORE: [What really happened to GM's CMO](#)**

But isn't it a contradiction in terms to be an entrepreneur within a large corporation? Are those who claim to be instilling entrepreneurialism merely encouraging garden-variety creative thinking or even just a killer sales mentality? (Not that there's anything wrong with that.) Even the president of Babson College, home of the Arthur M. Blank Center for Entrepreneurship, acknowledges that much of the rhetoric around so-called intrapreneurs promises more than it delivers.

"Some CEOs go so far as to say, 'We want all of our 300,000 employees to be entrepreneurs.' It is just complete nonsense," says Len Schlesinger, Babson's president and author of *Just Start*. "The reality is that you're asking people to display a set of behaviors in an environment that, by its very nature, tends to be very hostile to those activities."

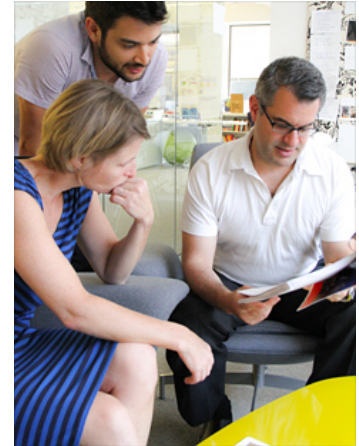
Cultivating an entrepreneurial culture is almost as challenging -- and rare -- as launching a successful startup company, the majority of which won't see their fourth birthday. You can't simply wall off the innovators, as in Lockheed Martin's (LMT) legendary "Skunk Works," because by protecting them from being corrupted by the operational, bureaucratic culture, you also block them from the large-company resources that would give them an advantage over nimble independents. Nor can you reasonably expect that every worker will be constantly on the hunt for the next big thing -- the majority will need to focus on routine production.

"The extremes are dangerous," Anthony says. "You have to strike a very careful medium where you find ways to very selectively and thoughtfully borrow the true capabilities that will give you advantages ... without corrupting either side."

So how do you separate rhetoric from reality? Experts differ, but most agree that to have any hope of cultivating true entrepreneurship, leaders must take these four steps.

### **Make risk-taking, and failure, acceptable**

In many companies, employees play it safe because they know a single failure can end a career. Not so, apparently, at



Gensler's Jordan Goldstein (right)

education giant Pearson (**PSO**), where CEO Marjorie Scardino urges employees "to be brave, imaginative and decent." In 2008, then-senior vice president Patrick Supanc found himself worrying out loud to Scardino as they waited together at an airport that Pearson wasn't moving quickly enough to exploit some new opportunities in educational technology. Three months later, Scardino asked him to prepare a pitch on the unknown territory he'd like to chart. The company approved seed funding and in 2010 Pearson launched Alleyoop, an educational software company that prepares teens for college in partnership with a range of content providers -- some Pearson competitors.

### **MORE: Francis Ford Coppola's search for the best ending**

Alleyoop is an independent division of Pearson, with Supanc as president, reporting to a board comprised of top Pearson executives. "This was a risky move," he says. "If corporations want to foster entrepreneurship, they really need to commit to the autonomy and the time and the willingness to support folks as they move through a series of failures."

#### **Train staffers to be entrepreneurial**

"There's a lot of research that suggests that innovation is not just a gift from above, but it's a learned skill that you can improve," says Innosight's Anthony, author of *The Little Black Book of Innovation*. Public relations firm Prosek Partners sends employees to a boot camp that covers both the fundamentals of the company's business and its take on intrapreneurship. "My employees, across the board, are more engaged and entrepreneurial. I'd stack them up against anyone," says Jennifer Prosek, author of *Army of Entrepreneurs*.

#### **Offer room to play around**

Google (**GOOG**) famously provides employees one day a week to experiment on projects outside of their day-to-day tasks. With 20% of your time to practice, you can conduct a lot of trial and error.

Soon after joining architecture and design firm Gensler, Jordan Goldstein proposed to revamp the design process by incorporating new technology, a successful experiment that soon spread throughout the firm. Emboldened, he ran with a few more projects before proposing Fuel Lab, an incubation lab within Gensler that works with academic institutions and nontraditional potential clients to test new design models.

Gensler agreed to fund the venture, not unlike the way an angel investor works with independent entrepreneurs. Earlier this summer, Goldstein led a team of students in Thailand to create a scalable options for low-income housing and community centers. "I've always felt that the company has set the stage and I could play on it as I see fit," he says. "There's a greater willingness to let me run with it."

#### **Reward the successful ones**

Successful entrepreneurs are primarily motivated by the opportunity to make an impact of some sort. But the millions or billions of dollars in potential equity a fantastic idea can deliver carries weight too. Supanc and Goldstein both say they're happy with the compensation they've received, thanks to their ventures.

Prosek gives 5% of the revenue from a customer account to an employee who identified the opportunity and set up the first meeting -- for life. She's also given eight entrepreneurial employees equity stakes in the firm in recognition of the new products they've created. Certainly, the downside risk with being an intrapreneur is somewhat less than it is for independent entrepreneurs -- they can lose reputational capital within the firm but likely keep their jobs.

### **MORE: Business's real problem: Uncertainty**

But it's hard to find an entrepreneurial venture within a corporation that rewards the founders for a home run to the same degree that a stand-alone startup would.

Ultimately, some cutting edge companies are finding ways to support internal entrepreneurs and may have a chance of keeping up with lean startups, thanks to the benefit their size conveys. "People inside large companies have acted like entrepreneurs and unleashed massive growth," says Anthony, who cites Medtronic, IBM, Sygenta, and Unilever as examples in his article.

Supanc feels Pearson's assets and experience in the business have given Alleyoop a competitive advantage in a quickly changing environment, and made it worth the extra effort he spends to translate the milestones and strategy of an entrepreneurial enterprise to his board members. "The pace, the ongoing adaptation, and level of change inherent in a startup is culturally and operationally very different from a mature and established" profit and loss statement, he says.

But as more corporations look for new ideas within their hidebound bureaucracies, we're likely to see continued effusive

rhetoric about internal entrepreneurs. Investors, employees, and customers alike would do well to remain skeptical.

## You Might Also Like

by Taboola



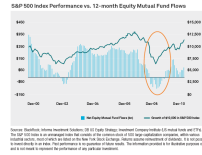
**Drive less than 25 miles per day? You need to read this...**

*Consumer Protect*



**Economist: Why the Dow Will Hit 60,000 (Shocking)**

*Newsmax*



**Buy Low, Sell High: Great in Theory, Difficult in Practice**

*BlackRock*



**Has Gold Lost its Luster?**

*Blackrock iShares Blog*

## Recommended for You

**Got a Swiss bank account? Time to fess up.**

**Cracks in objections to Internet sales taxes**

**The great expatriate hiring boom**

**Will Apple make an iWatch?** 

## Around the Web

**The 5 Worst Business Ideas That Somehow Succeeded**

All Business

**Smart Ways to Spend \$1,000 – Money Living**

Money Living

**The Random Idea That Sparked a \$100M Business**

OPEN Forum

[what's this]