DO ORGANIZATIONS REALLY VALUE AND REWARD INTRAPRENEURSHIP?

Chair: Ted Zoller, Lewis Clinical Professor of Strategy and Entrepreneurship, UNC Kenan-Flagler Business School; Faculty Director, UNC Entrepreneurship Center

Panelists:

- *Anne Marie Knott, Robert and Barbara Frick Professor of Business, Washington University Olin School of Business*
- *Jason Liberty, Executive Vice President and CFO, Royal Caribbean*
- *Mike Norona, Fortune 500 CFO (retired), Board Member & Audit Committee Chair, Clarios*
- *Sarayu Srinivasan, White House Presidential Innovation Fellow, National Institute of Standards and Technology*

Though high-profile "unicorns" and other prominent startups receive great attention, most innovation occurs within existing large companies. Having employees or business units behaving as entrepreneurs within a large organization is often called "intrapreneurship," and can be a business strategy to develop innovative products or upgrade existing business processes. What are the benefits of this approach, and how can organizations looking to foster innovation promote intrapreneurship? How should firms balance investing in innovation with continuing to operate core business areas?

Ted Zoller began the session by asking the panel to explore the definition of intrapreneurship and consider examples in their own careers that fit the criteria for it. He opened with his preferred description of entrepreneurship, attributed to Howard H. Stevenson (Professor Emeritus at Harvard Business School): “Entrepreneurship is the pursuit of opportunity without regard to resources currently controlled.” Per this definition, an entrepreneur in an organization is appropriating the resources they need. “They defy the power dynamics, they reach outside the organization and draw resources in,” Zoller added. He also highlighted the dearth of recent academic work regarding entrepreneurship within corporations, calling for researchers to rekindle the literature in this area.

Sarayu Srinivasan spoke about an example of intrapreneurship she felt was emblematic, from her days as a brand manager with Pepsi. One of her co-workers developed a bottling “scorecard” to allow bottlers to easily monitor and differentiate the sales performance of different products (e.g., two-liter bottles vs. six-packs). This streamlined workflow, reducing the need for brand managers to spend as much time developing monthly reports to identify sales trends. Srinivasan emphasized that though the scorecard was an otherwise unglamorous process improvement, it affected Pepsi’s bottom line in a meaningful way.

“Sometimes we are very quick to think of entrepreneurship, innovation and intrapreneurship as being confined to things that are either big, sexy or enterprise,” said Srinivasan, naming Tesla, Theranos and Solar City as examples typically associated with innovation. But in fact, Srinivasan contended, innovation is necessary for any company to survive and succeed: “If you’re doing well, you're going to have competitors. Your competitors have to do what you're doing better, faster and more efficiently to take your customer base away. You have to do what you're doing better, faster and more efficiently to bring them back."

Mike Norona echoed the idea that "a lot of innovation goes on in big companies," drawing on his experiences as a former executive at Best Buy and Advance Auto Parts. He underscored the importance of management style and firm culture in driving innovation forward. "You can't solve issues if you don't know what the issues are," Norona said, emphasizing that understanding the scope for disruption requires listening carefully to a firm's stakeholders—its employees, customers and suppliers. "If you have microphones on the fringes of your business, it's amazing how much you can learn," he stated. Recalling that "the best ideas came from people close to where the problems were," he described the value of decentralized management in promoting innovation from within an organization. As a concrete example, Norona described the acquisition and development of Geek Squad by Best Buy, which grew out of conversations within retail store locations.

Jason Liberty spoke to the importance of leading companies being "obsessively" prepared for disruption, as well as how Royal Caribbean thinks about the sources of disruption. Rather than just from the innovations of industry competitors, he spoke about disruption from changes in the regulatory environment and in how consumers interface with technology more broadly. Though Liberty described an intrapreneurship success story (Royal Caribbean opening a theme park to compete directly with Disney, Universal Studios and Las Vegas), he also underscored how the size and inertia of the large Royal Caribbean organization contributed to many missed opportunities. "The big machine doesn't understand how to be nimble and take huge risks," Liberty noted. As a result, successful innovation often requires establishing an entrepreneurial ecosystem within the organization itself. "You have to set up a separate group, with separate people…and attract that type of entrepreneurial talent internally…in order to make it work," he said. Existing brands or product groups often don't know how to execute new business ideas. "They know how to run a big machine, but not how to start something from scratch," Liberty added.

Anne Marie Knott grounded the discussion in research findings, disapproving of the pervasive identification of growth and innovation only with startups. A well-cited academic literature documents a secular decline in business dynamism, which has been associated with slowing economic growth and job creation. Knott believes that attributing these trends solely to decreases in new firm foundation is mistaken. She noted that intrapreneurship and entrepreneurship have similar rates of innovation success (commercialization), and that large firms have much higher R&D productivity (with productivity increasing as firms grow larger). As large firms perform the vast majority of R&D in the economy, Knott believes the solution must incorporate supporting corporate innovation. She argued that improving intrapreneurship can lead to increased R&D productivity in the aggregate, promoting both firm growth and greater entrepreneurship.

Some of the themes that emerged from audience questions included the role of firm size in shaping intrapreneurship strategy and the correct balance between a firm’s core operations and investments in innovation. Mike Norona argued that “failure is the driving force for entrepreneurship,” and that as large firms typically don't tolerate failure, they are biased against innovation. This echoed Jason Liberty’s remarks, who focused on corporate governance’s role in promoting disruption in large firms. He also suggested that a firm’s lifecycle, and not its size, should determine how aggressively to pursue innovation. In his company, an 80/20 rule is used to identify the appropriate balance: 80% of resources to maintain core operations, 10% to disruptions around the core business and 10% to “moonshots.”