

# Management Theory: Intrapreneuring Analysis Paper

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## PURPOSE

The purpose of this paper is to provide an analysis of the management technique known as Intrapreneuring. Successful implementation of this technique by a large corporation is expected to create an environment within that corporation in which a person can take direct responsibility for turning an idea into a profitable finished product or venture through assertive risk-taking and innovation thereby becoming an intracorporate entrepreneur or intrapreneur. Such a transformation requires specific management strategies all of which will be examined in this paper and evaluated in terms of their meaning and impact on communication, informal interactions, organizational structure, social issues, conflict resolution and monitoring/control requirements, as well as their overall feasibility and credibility.

## INTRAPRENEURING

Rapid and cost-effective innovation may be the only method by which companies (including governmental organizations as well as commercial entities) in the twenty-first century and beyond will be able to remain competitive and/or solvent. Therefore companies that strive for such innovation to assure their survival and efficiency may find that a transformation to an intrapreneurial management style will facilitate their endeavor. Given that intrapreneurial management's goal is the creation of an environment within a corporation in which a person can take direct responsibility for turning an innovative idea into a profitable finished product or venture within the corporation (intracorporate enterprises or intraprises). The people of the organization (or at least some) must also be willing to be intrapreneurial or willing to:

1. Do any job needed to advance their project regardless of their job description.
2. Share credit widely.
3. Remember, it is easier to ask for forgiveness than permission.
4. Come to work each day willing to be fired.
5. Ask for advice before asking for resources.
6. Build a strong team.
7. Keep the best interests of the company and its customers in mind while bending the rules.
8. Be true to their goals, but realistic about how to achieve them.
9. Under-promise and over-deliver.
10. Honor and educate their sponsors.

(Ten Commandments of an Intrapreneur [Pinchot 1999, 153])

Whereas this type of intrapreneurial spirit is predominant among knowledge workers (i.e., scientists, engineers, designers) it also exists within all levels and types of workers. Therefore intrapreneuring can be implemented within most any type of organization. As long as the following required intrapreneurial management strategies are infused into the organization:

- Sharing of the Business Strategy
- Creating Implementation Channels
- Support Intraprise Launch
- Diagnose and Improve Innovation Climate.

[Pinchot 1999, 25]

Sharing of the Business Strategy: The management strategy of *business strategy sharing* is the wide dissemination of the organization's vision for the future while opening the door for all employees, regardless of level, to assist in achieving the vision's goal. The intent of this strategy is to motivate employees to consider how they can bring the goal to realization and inspire innovative action. However, if the vision is not steady over time projects inspired by that vision will not be able to be completed and employees' confidence, motivation, and innovation will be stifled. Therefore this vision dissemination must be repeated confidently and consistently utilizing the full gamut of available communication techniques while remaining open to all methods of achieving the ultimate vision for this management strategy to be effective. [Pinchot 1999, 25-26/119]

Creating Implementation Channels: Although Gifford Pinchot's team found that, "In every organization we have studied, there are plenty of people with good ideas who are trapped beneath layers of hierarchy" [Pinchot 1999, 26] ideas also need channels that are unobstructed and safe to ensure broad idea distribution. Therefore in addition to motivating employees to have innovative ideas through the *Sharing of the Business Strategy* management strategy an intrapreneurial organization must greatly expand its communication processes. This expansion is attained through the infusion of the intrapreneurial management strategy *Creating Implementation Channels* into the organization. This strategy establishes communication and processes that inspire dialogue up and down the organization with regard to the organization's vision and the innovative concepts for achieving it. The two most popular processes exercised by large corporations to establish such channels are seed money (in existence in 30% of large companies [Takahashi 2000]) and innovation fairs. Specifically, seed money creates these channels by establishing a process of setting up a fund of discretionary money, which can be allocated, outside the normal process thereby avoiding potential obstacles (see quote below), to individuals with innovative ideas. Therefore seed money tends to be piecemeal system of idea transmission while the innovation fair presents a large number of ideas in small booths to virtually all potential sponsors and intraprise participants. However either of these techniques or any other that creates these necessary channels will allow this management strategy to be effective and espouse the intrapreneuring.

"One line manager was irate as he told us: "something is wrong here.

I told my subordinate that his idea was no good and then you gave

him seed money for it. I want you to take it back.” Six months later, this same line manager became an enthusiastic champion of both the intrapreneur’s idea and the seed money fund when the improved process justified itself and provided both many millions of dollars of annual savings and the basis for a major new product.” [Pinchot 1999, 27]

Support Intraprise Launches: After the selection of an idea to be one of an organization’s intraprises it still requires additional support to deal with the challenges involved in implementation. This support is provided by applying the management strategy of

*Support Intraprise Launches*, which is the process of providing a corporate sponsor for the intrapreneur. This sponsor is normally a middle manager or above that can assist the intrapreneur by doing the following:

- Cutting through red-tape and non-constructive politics,
- Helping build a good cross-functional intraprise team,
- Getting resources and permissions for the intraprise team,
- Helping establish achievable milestones,
- Drawing others in as joint sponsors,
- Providing intrapreneurial training,
- Sheltering the intraprise team when they make original mistakes,
- Being part of the intraprise team,
- Ensuring that the team remains intact (No handoffs) and gets proper recognition. [Pinchot 1999, 162-163]

However, while sponsorship is necessary the intraprise and its intrapreneur must still be empowered to make decisions and have the freedom to do it their way if innovation is truly desired [Pinchot 1985, 242].

Diagnose and Improve Innovation Climate: Although an intrapreneur can succeed with a good sponsor in a non-innovative climate, innovation is much more efficiently accomplished when done in a supportive environment. Applying the management strategy *Diagnose and Improve Innovation Climate*, which is the creation and maintenance of the following organizational attitudes does that:

1. Corporate vision acceptance,
2. Risk, mistake, and failure tolerance,
3. Innovation cooperation (support intrapreneurs, sponsor innovation, empower cross-functional teams, self-select intrapreneurs, eliminate hand-offs, allow boundary crossing, choice of internal supplier),
4. Customer focus acceptance,
5. Organizational community cooperation, (all-for-one-one-for-all philosophy)

6. Honest and transparent communication acceptance (the full honest story up, down and across organization).  
[Pinchot 1999, 105-106]

Thereby establishing an internal environment in which innovation can thrive. However, as with all management strategies or business activities it must be monitored and measured against acceptable standards to assure its effectiveness. Therefore for this strategy to successfully espouse intrapreneuring it must be monitored with the amount of innovation generated being the criteria used to determine application acceptability and/or modification impetuses.

## INTRAPRENEURING IMPACTS

As a confederation of intrapreneurs or an intrapreneuring entity an organization's communication processes, informal interactions, conflict resolution, monitoring/control processes and organizational structure will all significantly differ from those under a more traditional management approach.

Communication Impacts: Communication or "the means by which individuals in an organization transmit information" [Johnson, 2000] usually takes on one of three forms, line, ring or star as shown in Figure 1. Ordinarily in traditional bureaucratic-style organizations most formal communications traverse the line topography (boss-subordinate or vice versa) with informal communications being more ring-like (everyone can talk to everyone). However, in an intrapreneuring entity formal and informal communications are used and must take on the ring topography to assure that the organization's vision and the innovative ideas of intrapreneurs are widely disseminated per the *Sharing of the Business Strategy* and *Creating Implementation Channels* strategies inherent to intrapreneuring as described above. While, the sponsor to intrapreneur formal communications and the intra-intraprise formal communications are more star-like (sponsor communicates formally to individual intrapreneurs (leads) & intrapreneur-team communicates formally to intrapreneurs (lead) [Pinchot 1985, 242]) for accelerated responsiveness but revert to the organizational baseline ring topography whenever necessary.

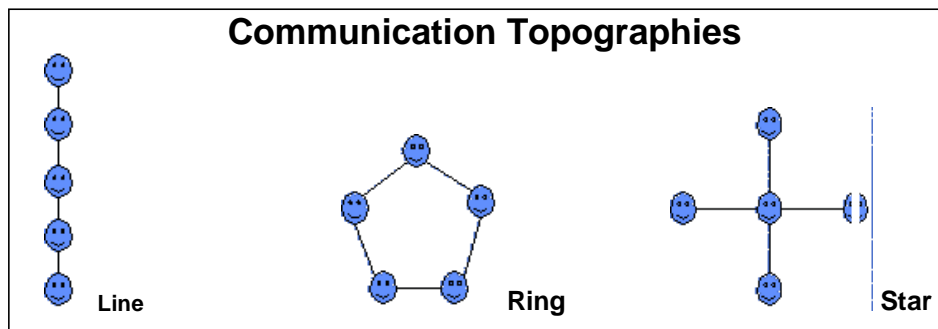


Figure 1: Communication Topographies [Johnson, 2000]

Informal Interaction Impacts: Since the communication patterns within an organization are so significantly different so is the gamut of possible informal interactions. Whereas prior to the intrapreneurial transformation

an individual may only be able to interact within his functional group (specialty/discipline), level, or project. The post-transformation possibilities for interaction are unlimited between all levels, projects, and disciplines as is the intent of the *Creating Implementation Channels* strategy inherent to intrapreneuring described above. In addition, to function as a separate unit each intraprise is established as a cross-functional team, per the *Support Intraprise Launches* strategy (see above) inherent to intrapreneuring, which reinforces the interaction/relationship possibilities established by the intrapreneurial communications. Therefore it can be said,

“The innovation organization is a constantly changing network of relationships across the formal boundaries.” [Pinchot 1999, 98]

Conflict Resolution: Since the intrapreneurial climate has such a wide communication processes and diverse interactions it is ripe for conflicts. Specifically, intrapreneurial conflicts manifest themselves as two types: intraprise conflict and intrapreneuring conflict. The first type, intraprise conflict, includes all the conflicts between the intraprise and its parent organization. While the second type, intrapreneuring conflict, includes those conflicts internal to intraprise operation.

Specifically, intraprise conflicts arise from the fact that when you start something new in a corporation “it is almost as if the corporation had an immune system” to keep the status quo [Pinchot 1985, 189]. Therefore intraprise conflicts center on the need of the intraprise to use corporate resources: money, people, and equipment. Since there are limited resources within any organization an intraprise receiving any resources means that some other portion of the organization (line or another intraprise) is negatively affected. These types of conflicts are extremely time consuming to resolve and would limit an intrapreneur’s ability to focus on the innovation at hand, therefore the intraprise sponsor via the intrapreneurial management strategy *Support Intraprise Launches* (see above) resolves these types of conflicts.

Conversely, intrapreneuring conflicts arise from the operation of the intraprise. They take the form of conceptualization and implementation differences amongst the intraprise team members. Since an intraprise by nature is a cross-functional team with differing functional perspectives on the same issue. Therefore it is the role of the intrapreneur to resolve these types of conflicts and ensure that the innovation process moves forward efficiently. However, the intrapreneur may always seek advice or guidance, via the expansive intrapreneurial communication processes (see above), from any organization member or the intraprise’s sponsor since an intrapreneur always remains a part of the organization.

Monitoring/Control Impacts: The premise of intrapreneuring is to create separate quasi-independent intraprises so that innovation may take place rapidly. Therefore monitoring /control of an intrapreneuring organization needs to be decentralized and interactive. Interactive decentralization means that monitoring/control is put as close to the task as possible or to the lowest level possible (the intrapreneur) while maintaining sponsor-based advisement and periodic executive review.

Specifically, intrapreneurs set measurable goals and intermediate targets with the assistance of their sponsor, per the *Support Intraprise Launches* strategy (see above), via the intraprise's business plan, while the responsibility and authority for making decision for an intraprise and taking intraprise action remains with the intrapreneur. The plan documents not only the milestones which then become the organization's/executive's control mechanism for the intraprise [Pinchot 1985, 309], but also establishes the intraprise's goal, options to achieving that goal, potential obstacles to achieving that goal, and obstacle solution alternatives [Pinchot 1985, 126]. Since planning is an essential part of the intrapreneurial process the relatively hands-off intrapreneurial philosophy of decentralized monitoring/control is effective in an intrapreneuring environment. In addition, this process of up-front planning and periodic executive review allows the organization to monitor its own success at implementing the *Diagnose and Improve Innovation Climate* strategy (see above) because it can identify roadblocks to the innovation process and fix itself.

Organizational Structure Impacts: A confederation of intrapreneurs or an intrapreneuring entity requires a revolutionary organizational structure. Instead of having a large structure of supervisors and subordinates the intrapreneurial organization's structure is almost virtual.

“Given an intrapreneurial architecture, people seeking the connections that will enable them to do their best work will adapt the organization on the fly.” [Pinchot 1999, 98]

Therefore the organization's structure becomes one in which most of middle management is eliminate and replaced with intraprises and the intrapreneur is no longer a subordinate but a supplier of intellectual services in a free internal market [Pinchot 1999, 145]. Therefore the structure can be likened to a short line organization, which contracts out most of the work to external suppliers. However intrapreneurs never truly separate from the organization.

## **INTRAPRENEURING FEASIBILITY AND CREDIBILITY**

Although intrapreneuring is a significant change from more traditional management techniques it has the potential to invigorate the large business community again. However, not all members of any organization are intrapreneurial by nature. This means that as intraprising increases in an organization some non-intrapreneurial personnel may be forced to leave or significantly change their job assignment (i.e., middle manager to intraprise individual contributor). Conversely, those individuals that are intrapreneurial by nature will have increased opportunity to advance their ideas and careers within the organization versus leaving and potentially becoming a competitor to the organization. Therefore intrapreneuring as it is implemented will tend to shape the social structure for individual organization members, the organization as a whole, the organization's market, and thereby its customers. However, some organizations find such a transformation to intrapreneuring impossible since its consequences are so far reaching and it means taking risks based on people not analysis. While many other organizations have found these affects to be significantly positive and their people worth taking a risks on.

Two such organization's case studies are shown below to illustrate intrapreneuring's feasibility, versatility, and credibility:

Case 1:

The Fleischmann's Company had only three brands in two mature markets: Fleischmann's and Blue Bonnet margarines and Egg Beaters, a liquid egg product. Without new products, the company's prospects for significant growth were grim.

To break out of humdrum performance, Fleischmann's leaders first established a strategic intent—to create innovative products for the refrigerated section of the supermarket, with a special focus on healthier eating. They then encouraged their would-be intrapreneurs to find ways to create and launch those products.

As ideas fitting the vision emerged, Fleischmann's management supported many of them, allowing the intrapreneurial new product teams to act without waiting for the normal multilevel approval process. In just one year, Fleischmann's' intrapreneurs developed and commercialized four highly successful new products:

- \* SnackWell's Chocolate Nonfat Yogurts
  - \* Fat Free Squeeze, used in place of margarine
  - \* A fat-free squeezable cheddar product
  - \* Easy Omelets, a two-minute microwave omelet.”
- [Pinchot 1999, 12]

Case 2:

The U.S. Forest Service

“... With the inspiration and support of Forest Supervisor John Phipps and organizational development expert Leigh Beck—among many others—Duffy used an intrapreneurial training workshop called "The Reinvention Accelerator" to launch twenty-one enterprise teams. Each team became a profit center, with internal customers who chose whether to purchase the team's services or not.

Among the services provided by the Forest Service enterprise teams were:

- \* Preparation of environmental impact statements, including presentations at public hearings
- \* Recreational planning
- \* Resolution of worker's compensation cases
- \* Archeological assessments and the development of public education programs for appreciation of the archeology of specific sites
- \* Timber cruising and scaling
- \* Conflict resolution facilitation
- \* Library services ....” [Pinchot 1999, 33-34]

Therefore it would appear that intrapreneuring is feasible for any business with the inspiration to try it.

## **INTRAPRENEURING'S FUTURE**

As the forces of digitization, globalization, and deregulation make the business world more competitive more and more companies will require innovation to continually achieve their goals. Therefore more and more corporations and organizations will become candidates for intrapreneuring. The question is: Will they be willing to take on such a dramatic change to their Status Quo? Only time will tell.

## **RESOURCES USED**

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